BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

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IN THE MATTER OF: : Docket Number

INDEPENDENT COORDINATOR OF : ER05-1065-000

TRANSMISSION TECHNICAL :

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Hotel Monaco

Egyptian Ballroom

333 St. Charles Avenue

New Orleans, Louisiana 70130

Thursday, June 30, 2005

The above-entitled matter came on for technical conference, pursuant to notice, at 9:15 a.m.

PRESIDING:

KIM DESPEAUX

FERC STAFF

P R O C E E D I N G S

(9:15 a.m.)

MS. DESPEAUX: Okay. Everybody is finding seats. The first announcement I've been told I have to make is that if you are looking for the restrooms you have to go downstairs, they're on the second floor. So just go out, take the stairs down and they're immediately there. Oh, Joe is pointing me to one -- the left hand to the right? Okay. Joe's right, my left. Okay. And I just want to make sure everybody on the phone can hear.

SPEAKER: Yes.

MS. DESPEAUX: Okay, good. And at this point, I'd just like to welcome everybody to New Orleans. We very much appreciate you guys attending. We also have -- we have representatives of the retail regulators here, as well as FERC staff, Sanjeev is down at the end of this table over here. And we appreciate them making time for this.

In addition at the table we have representatives of Entergy that most of whom you're probably familiar with. We also have, to my right, Bruce Rew, with the Southwest Power Pool. And an agenda was posted on the FERC website, and that really, you guys, is to serve more as an order in which to proceed.

We tried to make sure we had each of the attachments or protocols covered, but it's really -- this

meeting is really to respond to questions that you have, and so we're not going to be -- strictly stick to the 45 minutes. If you have more questions for one protocol or attachment, we'll take the time that you guys think we need to answer those questions. So just view it more as an order than anything else.

Also in the interest of responding to as many questions as we can, and so as not to have to just, you know, read all the answers in, we've actually developed a document that is out on the table in the back that responds to the initial sets of questions we had. I believe, those were from the merchant generators, East Texas Electric Cooperative --

MR. MOOT: That would be it. I think we've got E-tech and the independent generators.

MS. DESPEAUX: Independent generators, okay, on that list, and I'll give everybody a minute to go out; we're not going to go through them page by page, but we did bring copies and we will e-mail that out or file it with the commission. Oh, Greg's taking more copies out.

SPEAKER: Kim, I thought some of these questions included in the independent generator group or the --

MS. DESPEAUX: No, they're not, those are -- because those came in later, we are going to respond to the questions in writing, but we just didn't have a chance to do

it before today. But we do intend on responding to all the questions in writing. Now, many of the questions that came later, the responses are already included in this set, but we will provide a response to them.

Okay. I think everybody hopefully has copies now. And I did want to make a point that the purpose of this meeting is really to provide clarification and answer any questions you may have. We don't believe it's an appropriate use of this meeting to engage in debate on legal or regulatory policy issues.

We're all going to have an opportunity to do that in the various filings before the FERC. And so, you know, we're -- we won't do speeches and I promise that I won't assume that your silence constitutes support or non-opposition on any provision. And so what we've done is we've laid it out where we -- we're going to go through each attachment and where -- as we saw the questions where there were some areas where it was obvious there was a need for additional clarification, we thought we would take the first couple of minutes and either provide that clarification and then just turn to the audience for questions. Or where there were requests for examples, we have some examples that we'd like to walk through. We think it may make sense to walk through initially and then turn it over for questions and answers.

And additionally, for purposes of the court reporter, if when you come to the mike -- there's a mike right in the middle -- when you come to the mike, if you would state your name and the company that you are representing, so that he can get that into the transcript, that would be extremely helpful. And I'm not sure if anybody else has any additional comments or opening statements they'd like to make but, if not --

MR. MOOT: It works?

MS. DESPEAUX: Yes, and I've had someone check it and they said that it works, but we just got another question about whether it was working, so they're going back out to recheck it. And we do have people on the phone, so --

MR. MOOT: Kim, I understand, I just got a call from Carl(phonetic) and he said the dial in number is not working. Do we have somebody on it? Can I ask who's on the phone?

MS. DESPEAUX: Yeah, who's on the phone?

MS. LEE: This is Tina (phonetic) Lee with Cajun Power.

MS. DESPEAUX: Okay. And did you -- let me just ask, did you use the dial in and it worked?

MS. LEE: No, I used the dial in that was sent out and it was a different number. And Lynn Mackey

(phonetic) provided me with this new number.

(Laughter)

SPEAKER: They can run but they can't hide.

SPEAKER: Is Tina the only one who's on the phone?

MS. DESPEAUX: No, who else is on? Is there anybody else on besides Tina? No, Lynn's back here.

SPEAKER: Why don't you get that number? People can Blackberry it around.

MS. DESPEAUX: Okay, I'll tell you what? Why don't I, in the interest of time, I can go get the number. And at this point, I'll turn it over to Moot, John Moot, to lead the discussions on the ICT agreement.

MR. MOOT: Good morning everybody. I'm John Moot from Scadan(?). The first part of our program is on the ICT agreement: Attachment S. And for those of you who've read the filing, you'll know that the ICT agreement is the agreement between Entergy and SPP. And Attachment S is common overview tariff document and it covers a lot of different areas.

And we want to go in the order that's helpful to you, but what I thought would be the right way to proceed on Attachment S is if you've got specific questions on say the WPP, there are some provisions in Attachment S that deal with the WPP, that may be better saved for the WPP

discussion.

There are things like the security coordinator that only come up in Attachment S and that's fine to ask here. And as Kim said, there were a lot of questions on both of these documents and we're going to answer each of them in writing and I think, at least for my purposes, the best use of the limited time we have is, if you've got questions where you think a lot more interaction is beneficial, I encourage you to ask them.

And I guess, just to get a sense of how to use the 45 minutes, can I get a -- just a show of hands of people that have questions they'd like to ask today on these two agreements? So a couple, not a ton. So maybe we can do it all. Let me say, just a couple preliminary things about some common questions that we had and potential common confusion and maybe that'll help speed this up.

There were a lot of questions on termination, and I think at some level we're going to agree to disagree.

MS. DESPEAUX: Can I, I'm sorry -- I'm sorry to interrupt you, but let me give you the number for call-in, in case anybody does know people that are trying to call in because there was a typo. It's 1-888-476-3757. So it's 888-476-3757 and the participant code is correct, the one that was posted is correct. Oh, participant code is 706-244. Okay, there you go, Moot. I'm sorry.

MR. MOOT: On termination we had -- we had a lot of questions, and they mostly related to FERC approval of termination. I think at some level, a lot of us will just have to agree to disagree. We want to make sure that you understand what our position is and why. We've got three different provisions that prompted questions.

The first on is 4.2, which is if SPP and Entergy both agree mutually to terminate, and we have not proposed FERC approval of termination in that instance because we think that the ICT is protected, because it's agreed. Our second provision that doesn't have FERC approval is the non-viability provision. And we've talked about that at other technical conferences and I think a lot of you aren't necessarily thrilled with it, but it's our provision that is triggered if there's a regulatory determination that in our view just renders the proposal not viable. And in our view, it's a voluntary proposal and so we should be able to withdraw it if it has become non-viable. And in that situation, we're not proposing FERC approval.

And to be clear, in that situation, we cannot trigger that provision because of what the ICT has done. This is the act of a regulator that would trigger it. The one area where we do seek FERC approval is if we want to terminate the agreement because of something the ICT has done. And in that, we fully recognize that a FERC review is

appropriate so that we do not have control that compromises the ICT's independence.

The other area that prompted a bunch of questions where there was a little bit of confusion was dispute resolution. And there were a lot of questions for example, on what happens if there's a dispute over budget or data? And if you look in the Attachment S, in sections 6 and 9, they make it clear that if there is a dispute over those things, that FERC will have authority to resolve it.

This is a commitment we made in a prior answer and we followed it through. If you only looked at the ICT agreement, you won't see those provisions. But they do govern all disputes over budget and data because it's in Attachment S.

The other question we had was we have a dispute resolution procedure where if the issue effects stakeholders at large, it's kind of a generic issue, the ICT has an obligation to kind of vet it with stakeholders and go through a process. And at least one of you asked, "Well, is this just limited to potential disputes over information?" And we looked at the provision and you could read it that way, but the way we had intended it is that if there's any dispute that the ICT thinks effects, you know, a large portion of yours is significant to stakeholders, that it would go through this process. So you would know about the

dispute and you'd have the chance to offer your views.

The last kind of area where we hope to just say something at the outset was about the stakeholder processes or organization. There were a lot of questions about whether we were going to contemplate or should be contemplating kind of a formal stakeholder board or organization, and also about what our views were on how the stakeholders could interact and have access to the ICT.

And we have not tried to create a formal stakeholder board or organization, because this is not an RT-owned (?) and we don't think that we need one, but at the same time we are not going to get in the way of you guys interacting with the ICT. If you want to establish some process outside of the normal stakeholder processes that the ICT has authority to set up -- we've got two specific ones that are mentioned in the protocols having to do with planning and transmission service and the ICT also has broad authority to set up other ones, but you guys can organize yourselves as you see fit, and we're not going to get in your way of access to the ICT. And with that I think my presentation is over, and if you've got questions we're happy to try to answer them.

MS. DESPEAUX: And if everybody who has questions would come to the center mike so that the people on the phone can hear, that would be great.

MS. COTTONWOOD: Could you just go over again the mutual termination -- why that just is okay, because you mutually agree to terminate with SPP? Could you just go over that again?

MS. DESPEAUX: Could you state -- could you state --

MS. COTTONWOOD: Oh, sorry. Lynn Mackey-Cottonwood.

MR. MOOT: Well, the -- all the provision says, just like any contract, that the parties can terminate it, if they agree to. And in that circumstance, and we have that in our ICT agreement like you'd have in virtually any other contract. And we haven't proposed FERC approval in that instance because we feel if the ICT wants to agree to terminate this that we don't need the FERC to make sure that the ICT's independence hasn't been compromised.

MR. SAVAGE: Paul Savage of NRG. I wonder if you could go into more detail, I have questions concerning sections 5.1 and 5.2 of Attachment S. And what it is, is the ICT's role of liability coordinator, Entergy's role as sort of the control area operator. When I read it, it was -- at least in my view, it was unclear just what the demarcations in terms of responsibilities were.

I mean, so that -- and just -- I know that there is some potential overlap. I wonder if you and your

colleagues could expand on it so I could have a maybe a -- you know, an idea very simplistically, what can the ICT do that Entergy doesn't have overlapping authority to do? What can ICT and Entergy have overlapping authority, and when that's the case, when does the Entergy trump? How does it trump? Why does it trump? What criteria is being used for that? And what areas does Entergy have in this area from that -- that is outside of the ICT's role?

And if you could also -- in the last part, if you could also clearly define -- I can go back to these questions. This is off the top of my head, I -- excuse, I apologize for this. But also, what is the -- how broad are you looking at this in terms of reliability, in terms of -- I just want to have a better sense of just what -- what's the scope of issues that deals with these areas? Who has what authority? And why does one trump the other and what's the rationale and the criteria for that? Thank you. And I have other questions, if you want.

MR. CAMET: Okay. I think the place to begin for all of these types of questions is to think about what NERC has traditionally reviewed as the role of the reliability quarter. It is -- the reliability coordinator is not the single and only entity responsible in any one area for all reliability issues.

And the control area operator transmission

providers also have a role in maintaining reliability in an area that shares the same footprint. And the idea is redundancies and depth. In other words, if for some reason the reliability coordinator doesn't pick up on a reliability issue or isn't able to act in sufficient time, there is another back stop behind them to act also.

So you have multiple entities, reviewing reliability issues, analyzing the system, monitoring parameters. And then if an issue does come up, the reliability coordinator coordinates the response to that. But you never ultimately remove the authority of the control area operator to protect the reliability of the system because you don't want to be in a situation where, you know, if it's -- for example, a storm where the ICT is lost communications or the reliability coordinator has lost communications and there's no way to get in touch with them, you still want a redundancy and depth where someone can take an action to protect reliability. Of course, you have to ensure that there are not conflicting directives and the two parties aren't working against each other and that's one of the purposes of the operating protocol that would be filed subsequently to set out how the reliability coordinator, here SPP and Entergy, are going to coordinate these functions.

To address some of the more specific questions,

there is an area where the ICT as reliability coordinator will have really sole authority, and that's calling TLRs and energy emergency alerts. Those are both defined under NERC policy as reliability coordinator functions.

The reliability coordinator will also have the ability to take action to protect reliability and those are laid out in the -- see, I think it's Section 5.2. And Entergy also has similar ability to take action to protect reliability. And again that's -- so that Entergy can serve as a backstop to the reliability coordinator, and the reliability coordinator serves as a backstop to Entergy.

And that's also consistent with the way NERC has viewed the traditional control area operator versus the reliability coordinator. And as NERC transitions into the new reliability authorities, including the balancing authority, the transmission operator and the reliability coordinator, that's consistent with these new authorities. The new NERC standards for balancing authority, which, in essence, is what Entergy is going to be serving as and transmission operator which, in essence, Entergy is going to be serving as, both require that entity to have sufficient ability to take actions necessary to protect reliability. Of course they have to be coordinated with the reliability coordinator, but you never remove any authority or all authority from any single entity as it relates to those

three entities.

MR. SAVAGE: Can I ask some follow-up questions?

MR. MOOT: Sure.

MR. SAVAGE: Somethings just to make more clear. Let me start. So the ICT's only role in reliability -- the ICT does not have a role in reliability, I gather, as sort of the coordinator of transmission. That its only role is in the NERC. I guess that -- that's what I got from you. I'm just trying to, I'm trying to figure out, because they are the coordinator of transmission, and so they do have scheduling authority. And they also provide -- they also -- the NERC -- they also have the NERC role. So I guess, I'm trying to figure that out.

MR. CAMET: Right. The ICT has its role as reliability coordinator, okay, and that's part of it's authority on reliability matters, that defines it's authority on reliability matters. To the extent Entergy has as control area operator balancing authority, et cetera, additional responsibility for reliability matters, those matters would still come under the oversight of the ICT.

In other words, if Entergy is taking actions that it needs to take for reliability matters as a control area operator, that's something that the ICT can still review. And so, in other words, if a day-to-day situation arrives and the ICT is not able to take action in time, or for some

reason cannot communicate with Entergy, like in the hypothetical storm we talked about, Entergy would take action, but the ICT would still review that action. And the ICT ultimately is responsible for coordinating all reliability actions.

MR. SAVAGE: Okay. Let me -- I don't know if I can ask --- I don't want to dominate this, -- but it's --

MR. CAMET: On the scheduling issue, we do want to make clear that Entergy, as the control area operator is going to be receiving and approving schedules, and that was in the original filing, and this is distinct from reservations, reserving service. The reservations are made over Oasis to obtain service, schedules are basically e-tags that are submitted to actually schedule the service on a day-to-day basis. The ICT again has the ability to oversee Entergy's exercise.

MR. SAVAGE: Right, but it is Entergy's exercising, and -- I want to make sure I understand it. Entergy exercises its authority and then subsequently the ICT reviews it. Is that how it's going to work? I just want to understand that --

MR. CAMET: I mean the ICT is going to have real time feed into our systems. They are going to be reviewing it as it's all --

MR. SAVAGE: Can I give you -- maybe an example

might help me.

MS. DESPEAUX: Can we have Bruce? MR. SAVAGE: Okay.

MR. REW: Yeah. This is Bruce Rew with Southwest Power Pool. What we had envisioned for reliability coordinator is very similar to what we performed under the RTO. We performed the reliability coordinator services as defined by NERC and the individual transmission owners to operate their own control area. So they still have responsibilities as that control area operator, but SPP coordinates and is responsible for the reliability through their reliability coordinator function.

MR. SAVAGE: Let me ask, concrete examples may help. Let's have a situation, where instead of calling a TLR, there's a decision made to cut transactions and cut, let's say, network, reduce the network operations or network transactions. Would that -- that's being done to avoid a TLR; do you have an option of doing a TLR or you have an option of curtailing the transaction, which I believe is in Entergy's tariff.

Now, I'm curious to see if such an event occurs, what is the steps that one -- who has the authority to make that decision under the ICT? What is the criteria used to make that decision? How is the role of the ICT in that? And is it after the fact or is it real time? And I'm just -

- I'm still trying to -- maybe I'm the only one, but I'm just trying to get clearer in real time as that example --

MR. REW: This is a voluntary curtailment prior to TLR?

MR. SAVAGE: It's voluntary in the sense that from my understanding of the tariff, and that could be narrow, that Entergy's tariff requires -- if they say if we're going to have to reduce your transaction, you have to do it, it's part of the tariff. And so I'm wondering, in such an event, and I believe it can be -- that can be done as a way of, let's say, not calling a TLR.

And so what I'm wondering is if that instance does come up, one thing I'm curious of is, who would make the determination of whether you call, you reduce transactions on sort of this informal basis, would that be an ICT role? Or would it be an Entergy role, and the ICT what role they would have? And -- because what I'm trying to figure out, you could call a TLR or you could do this. And I'm just trying to get a sense in this one example of how the relationship between an ICT and Entergy transmission would work.

MR. MOOT: Paul, yeah, let me just make a suggestion. If you guys could just address his concern and then I'd like to get other people a chance at the mike and we maybe at a side bar or at a coffee break or something you

can push back or push on further on that one.

MS. DESPEAUX: Yeah, and I'd just -- I would like to hear Bruce's answer to this, but I -- I also want -- I'm not sure that the way you characterized our tariff is accurate. So, I just wanted to not concede that.

MR. SAVAGE: No, the question wasn't meant to, I'm just trying to --

MS. DESPEAUX: An example.

MR. SAVAGE: I'm just trying to get a sense -- I'm trying to get -- to me it's an education process.

MR. CAMET: Okay. And I mean I can give you Entergy's point of view here and then I can pass the mike on to Bruce. I think you need to take one further step back. The coordination between Entergy and the ICT doesn't occur just when you're making the decision. It's both Entergy and ICT are monitoring the system. Okay? A situation appears, say it's an overload on a particular line, Entergy and the ICT at that point discuss what are the causes, what are the possible remedies. They come up, in essence, with a solution to this overload. At that point, the ICT is involved right there making the decision. It's input from both Entergy as the control area operator, and the ICT as the reliability coordinator. The ICT is the only one that can call a TLR one way or the other. They make the decision whether to call the TLR or not to. If there's a decision

made, well, the ICT isn't going to call a TLR, then there still needs to be some sort of remedy. And then, you know, there are tariff remedies for that, there are a number of different options. But that -- again, that's a conversation between Entergy and the ICT, each looking at their screens, each looking at their data, coordinating the response together.

MS. DESPEAUX: Okay.

MR. CAMET: Bruce, did you want to --?

MR. REW: No, I think it's fine.

MS. DESPEAUX: Next questions?

MS. NEUSCHLER: Robin Neuschler, representing Calpine. Do I understand the workings of Attachment S when it's dealing with various data inputs to be that if SPP sees a particular data input or series of inputs that they have concluded is wrong, or has some sort of discriminatory impact and requires a change? Does SPP have the ability to make that change without Entergy's consent? And specifically in a situation where Entergy disagrees with the change, are you automatically kicked into the dispute resolution procedures where all SPP can then do is post a notice that there is this disagreement or can it actually make the change it has concluded is necessary?

MR. REW: Yeah. If the situation arises with respect to data inputs to where SPP views the data as

suspect for whatever reason, it will work with the stakeholder, whether it's Entergy that submitted the data or somebody else, to try to resolve that. And if we can't come to a resolution, if we had to move forward, we would use our assessment until we could get other resolution. So we would use our interpretation of that data until we can get some resolution.

MR. CAMET: In that case it'd differ depending on which protocol and which situation you're in. For example, under the AFC process, the specific AFC provisions, if the ICT disagrees with the data input, it can require a change pending dispute resolution, the ICT's position will control. And that's in place because short-term requests need to be responded quickly, we don't have a time to go through that process.

In the planning context, the ICT's position controls again pending dispute resolution on the base plan. And the base plan is what is used to allocate cost responsibility. For transmission service requests or interconnection service requests outside of the AFC process, in other words, those requests where the study process takes place over a significant period of time and there is time to -- there is time if ultimately Entergy and the ICT and the customer involved cannot resolve the dispute, there is time to go to the applicable regulatory agency at that time.

What essentially happens is for the study that's at issue, the study report is still issued, and the ICT will issue that report noting the areas of disagreement and why those areas are important, what would be the different results under Entergy's view or the ICT's view and then that dispute ultimately gets kicked up to the applicable regulatory agency, taking up long-term transmission service requests.

For example, if under the tariff, if Entergy and the customer can't agree on an executive agreement, Entergy files it unexecuted and then FERC would resolve the issue.

And before it, FERC would have the system impact study report that would contain the ICT's view on how the study should be come up and Entergy's view on how the study should come up and the customer would get that same.

MS. NEUSCHLER: A quick follow-up, if I could. Do I understand that the situation as such that if you're looking at Attachment S, in the section of Attachment S that deals with data inputs, which is where you get kicked into the dispute resolution provision, those provisions get trumped by other sections in the proposal that would allow SPP to implement immediate change?

MR. CAMET: That's exactly correct, right. And the things we just talked about right here are those instances where SPP can go ahead and make a change pending

resolution of the disagreement. Ultimately, when the disagreement gets resolved, it's going to be whatever FERC or the applicable other agency decides. And the other --

MR. REW: And we can't let a dispute shut us down. We're going to have to continue doing business pending a resolution of that dispute and so we're going to move forward even though there is a dispute until we get resolution on it.

MR. CAMET: To be clear though, there are other areas where the ICT can't require that change. And those are --

MS. NEUSCHLER: Could you identify those?

MR. CAMET: Well, I think, for example, Entergy's construction plan would be one.

MS. NEUSCHLER: Any others that you can identify?

MR. CAMET: I guess in the sense, it maybe an issue of semantics, but in the context of long-term service requests or interconnection study requests, I mean no one's position really is controlling pending dispute resolution. In other words, the idea is to kick it straight through to the applicable regulatory agency, but with both Entergy and the ICT having the ability to make clear its position.

MR. REW: And again, I made a point that you need to move forward with the ICT conditions if you needed to; but if you don't have to have them, like, in the long-term -

-(Off Mike)

MR. MOOT: And Robin, this may have been your question that we got, but one of the question says, what is this clause in Attachment S mean when it says, "unless or otherwise provided for in the protocols," and it's specifically because of what you said, that there is this general dispute resolution, but the protocols have specific ones that override that like the base plan that do the data inputs there and the -- for pricing and the AFC. And those are set forth clearly in that, in the protocols.

MS. DESPEAUX: Thank you. More questions on either the ICT agreement or Attachment S? Gary.

MR. NEWELL: Hi. I'm Gary Newell, representing Lafayette, LEPA and MEAM. Had a couple of questions on Section 5.5 of Attachment S, which pertains to the ICT's authority to require the rescheduling of maintenance outages under specified circumstances. And if you want I can sort of give you the three questions all at once or dole them out.

First one was are these schedules such that there would be an interval for consideration by the ICT before an outage? You know, typically the companyies -- some projects don't schedule pretty far in advance of the actual outage, and so, of course, there would be an interval there for them to -- for the ICT to evaluate it in terms of the criteria

that are set forth. Are there other circumstances where if something pops up and looks like a problem, the interval would be much shorter, and so question one is, will the ICT always have an opportunity to evaluate a proposed outage in light of these criteria?

MR. MOOT: Why don't we get somebody to answer that first so that we don't forget it?

MR. NEWELL: Okay, sure.

MR. REW: Yeah, with respect to outages, unless there is some extenuating circumstance, we would have the opportunity to review the outage prior to implementing it.

MR. NEWELL: It's typically not -- we're going to do this tomorrow or next week in short interval?

MR. CAMET: Well, I mean if there's an emergency situation where we need to take an outage tomorrow, then we'd talk to the ICT and there's no way we wouldn't pick up the phone in other words. There will -- for all outages will go through the ICT. That's the idea. The interval itself may fluctuate depending on the circumstance, but the idea is that, in general, most of these are taken pretty far in advance.

MR. NEWELL: Second question in this -- the interval could become important in this circumstance -- what if there's a disagreement about whether a particular outage does or does not satisfy the criteria? Could Entergy go

ahead and do the outage?

If it's an emergency, I would think you probably want to be able to do that, but if it's an elective maintenance where you're taking a line down for something that could be deferred but there's a disagreement about whether the criteria are satisfied, would the company have the authority to go ahead and do the outage, or would that have to await the resolution of the disagreement?

MR. CAMET: My view is that it would be covered by NERC policy. If the ICT identifies a specific NERC criteria that is going to be violated and says we absolutely need -- we cannot take the outage, then I think that discussion would take place under the NERC operating protocols. And if the reliability coordinator had that authority, then the ICT would have that authority.

MR. REW: Yeah, we're doing this review under the reliability coordinator function of NERC, so those policies would apply.

MR. NEWELL: Okay. Last question has to do with the criteria themselves which are spelled out in 5.5 in the second and third sentences. And a scenario that occurred to me was a situation where a particular outage might cause there to be congestion on the system on particular flow gates that, for example, a particular customer would have to bare the cost of that congestion but deffering the outage --

I'm assuming we're talking about an elective outage -- deffering it to maybe a lower load period, would result in less congestion being borne by the customer, didn't really see that fitting into these criteria.

So the question is, are these criteria really exclusive or are there other considerations that the ICT --- sort of economic considerations -- would be able to factor in, in deciding whether an outage should take place as scheduled or be deferred?

MR. CAMET: I guess that if there are economic concerns associated with an outage, that's something the ICT could discuss and coordinate and facilitate between the party requesting the outage and the party impacted by the outage. However, I think for whether the outage is going to be denied, the standard is going to be the NERC standards. And if there is a NERC violation that could be avoided otherwise, that's the standard for when the ICT would deny the outage in essence.

And the language in this section right here is just intended to capture the concepts that, a lot of these outages, particularly outages on high voltage transmission system, are going to have an impact on another area. Just like if another area adjacent to Entergy takes an outage, it's likely to have an impact on Entergy. That fact, standing alone in itself, isn't a reason to deny an outage.

It's a reason why the ICT needs to coordinate it, make sure that no reliability criteria are violated.

MR. REW: If our evaluation of that outage is for reliability purposes, and we're reviewing it based on reliability.

MR. NEWELL: Okay, thanks.

MR. MOOT: Other questions?

MR. HAGAN: Dan Hagan, for Occidental. Just a reference back to the dispute resolution that we previously talked about in 4.3D. In particular, what, if any, role do you contemplate the ICT playing in a 206 complaint that is brought by a market participant against Entergy?

MR. CAMET: Does your question assume that we've gone through a process where there has been discussions with stakeholders?

MR. HAGAN: If that impacts the answer, either way. You could answer both ways.

MR. CAMET: That's really probably a question for SPP, but if -- the reason I asked my question is, if you've gone through a process where the dispute has been vetted with the stakeholders, I just have an assumption that SPP won't be shy about saying this is kind of where we are on this, and they have every legal right to file a piece of paper at FERC explaining what their position is. We don't have any intent to kind of keep people from knowing what

they think. I think Bruce should speak to it from SPP.

MR. REW: Yes, if your question is as far as where SPP would be in that, and this is something that we've gone through the dispute resolution process, and the market participants still submitted a complaint through a 206, then SPP would submit its assessment and work that it did through the evaluation and our part of that. Our position would be we'll provide what our view is on the situation and that's the extent of it.

MR. HAGAN: Is that also hold true there it has not gone through the process or is that something that has been contemplated by SPP?

MR. REW: Well, it --

MR. HAGAN: Is it fair to characterize that we would expect the ICT to weigh in on any dispute?

MR. REW: Well, this dispute should go through the process.

MR. HAGAN: It doesn't have to go through the process is what I'm saying.

MR. REW: If you just file a 206 without --

MR. HAGAN: Right.

MR. REW: I think we'd have to look at that on a case-by-case basis and see what our involvement is and whether or not it would be appropriate for us to evaluate that.

MR. HAGAN: Okay. Thanks.

MR. MOOT: Anyone else? We still have a little bit of time.

MS. DESPEAUX: Yeah.

SPEAKER: Yes. We certainly will.

MS. DESPEAUX: Okay. With that, I think the next up on the agenda is the planning protocol. And I think Bruce was going to do just a quick presentation on, or an explanation of the planning protocol from SPP's standpoint.

MR. REW: Good morning. I was just going to do a quick overview of the planning protocol and just highlight some things that are in there. I want to start by reemphasizing that the ICT is going to independently perform the planning function as defined in the planning protocol. So we will be administering the planning process that's being contemplated.

SPEAKER: Is there any way you could speak up. I'm having difficulty hearing you.

SPEAKER: Just put the mic closer.

MR. REW: Okay, we'll try this.

SPEAKER: That's better.

MR. REW: Go ahead and turn the page, Mark. Let me discuss the key elements of the planning protocol. The first one is the planning criteria. The criteria will be applied on a non-discriminatory basis throughout the

planning process. The criteria that the ICT uses in this process will be posted and transparent for all stakeholders to see. So we're going to have a open process on what we're using to evaluate, and to walk through this planning process.

Second, if there is any change identified by the transmission provider, they would go through and notify the ICT of that proposed criteria change, so that we would have time to evaluate that and see if we agree or disagree with the changes. And the ICT itself, if in the evaluation and going through this process, if we see something that we thinks need to be changed based on our experience, we do have the ability to recommend criteria changes as well.

The next area is the base case development, and I know this is one area that we received several questions on. And I guess I want to start by saying, this is an area that we have a lot of experience in. I personally have been working is base case development for 15 years and all of those have been involved with Entergy.

The first seven in very much detail with Entergy model, so we're familiar with base case development and that's one thing that we do well at SPP. So we will be very familiar with the process and the inputs into base case development, and we'll be able to review those and make sure that the inputs that we receive are appropriate, and are

meeting the criteria.

We are going to use the NERC and SERC procedures to develop those, and those are procedures that we'll go through and review and make sure that we agree with the process that they have outlined.

Thirdly, the ICT may raise issue with any data input or modeling practice that we see. So we have the authority to question and identify concerns in this process. And as the question was discussed earlier, if there is an issue, the ICT position will be used pending resolution of the disagreement assuming that we need to move forward with that.

Thirdly, is a transmission providers construction plan. Entergy, as a TP, will develop its construction plan, and this is really consistent with what we do in the planning process under the RTO. The transmission owners, they still are responsible for performing planning functions.

Even though the ICT will be facilitating the overall planning process, that doesn't mean that there is not planning going on with the transmission owners. So the transmission owner in this case will develop the construction plan. The ICT then will perform an independent reliability assessment using the planning criteria that's publicly posted. And we'll make sure that it complies with

the criteria and that there aren't any unnecessary upgrades that are in there.

And then last, the ICT and the transmission provider will review that assessment and the transmission provider can submit a revised construction plan after we've reviewed that assessment.

This gets us into the planning summits. This is something that I am sure most of you are familiar with. Entergy has been facilitating planning summits for several years.

The ICT will lead the annual transmission planning summit process with stakeholders and regulators. And during those planning summits, we will review the ICT's independent assessment of the transmission provider's construction plan. We'll take input from stakeholders and regulators from those meetings and we'll review that. And we will determine if we need to make any changes.

If a transmission provider determines that they need to make a change and recommends that to the ICT, they will make that public what their recommendation for a change is. This will lead to the development of the base plan.

The ICT is responsible for the base plan, development of a transmission system. The base plan is going to identify all transmission upgrades and construction projects that the ICT believes are necessary to comply with

the planning criteria. And the base plan will be posted and used for allocation of costs between base plan and the supplemental upgrades.

There is a section in the planning protocols that deals with coordination with other transmission owners. And this is where the ICT is responsible for regional optimization of the construction plan with individual SPP transmission owners to make sure that we've got the best transmission plan.

So, to the extent that the seams(phonetic) agreements exist, the ICT will also identify opportunities for regional optimization with those entities as well. And the ICT may recommend allocation of costs that are not binding on transmission owners. And this is a case where, if the ICT in its review, we identify a potential benefit, let's say, we have a transmission line in the ICT planning process, we have a transmission line in the transmission owners -- the other transmission owners, and there is a way for us to maybe just put one line in to get the benefit of that, we would facilitate that discussion between the Entergy transmission provider and the transmission owner. And if necessary, we can make a recommendation on what the ICT believes would be an appropriate cost allocation for that single facility instead of having the two.

But that's not a binding recommendation. That

still would be subject to negotiation between Entergy and the external transmission owner. And then the ICT will revise a construction plan based on the outcome of this regional optimization.

And construction of upgrades: the ICT, if there is a situation where there is a divergence between the base plan and construction plan, we'll identify those. Both ICT and the transmission provider will notify its retail regulators and FERC of any divergence, and then pending outcome of the regulators on that review, we'll revise the construction plans as necessary.

And then the last part of the transmission planning protocol is the identification of economic upgrades. And, this will be a new process for us, which we'll work through development of this to come up with potential economic upgrades. We've identified some things at the starting point in the planning protocols.

But, that's certainly one that we'll need to sit down with the stakeholders and work through this process and come up with a good way to determine economic upgrades. But this process that we used will be posted. Any of the studies that we do, we'll end up posting those studies as well as the benefits of those projects.

The customers can come to the ICT and they can request studies for economic upgrades as well. So, we will

perform those upon customer request. And the customers are free to fund economic upgrades based on their own analysis. In other words, even if the ICT's analysis doesn't show that there is economic benefit, if the individual customer has a different analysis they used, that they can still go ahead and fund those upgrades. And then, we'll report on all of our processes that we do, and studies and analyses on a regular basis for the economic activities.

So that's a quick overview of the planning process and the protocol. I'd be glad to answer any questions that you have.

MR. CONWAY: John Conway, representing East Texas Electric Cooperatives. I'd like to suggest that Brian's presentation be put into the transcript.

MS. DESPEAUX: Bruce's presentation.

MR. CONWAY: Bruce's.

MS. DESPEAUX: Yes.

MR. CONWAY: Brian's too.

MS. DESPEAUX: Brian's too, as well. And we -- Sanjeev (phonetic) asked the same thing and we are going to submit those.

MR. CONWAY: Okay, good, thank you. Two questions, and for those with the spreadsheets that Entergy has already provided, these are really questions number 88 and 97 from E-tech. And on question 88, and I think it

dovetails with your slide regarding coordinating with other TOs. But our question was focused on coordinating with other load serving entities, as well.

And the concept here is, would the ICT at least be required to develop the cost allocations with respect to any particular upgrade benefiting more than one customer. Now what that cost allocation methodology might be is something that would probably have to be worked out.

But at least that there be requirement in the protocol that when more than one customer or transmission owner, would benefit from a particular upgrade in the planning process that there be an assessment of the appropriate allocation of those benefits and without the cost. That's the first question.

MR. REW: Well, the economic planning process will evolve. And if the stakeholders and ICT and Entergy get into this, and we see that that's something that all of us agree on, we can probably move towards that, but we're not envisioning doing that at the very beginning. And a little clarification, I guess, on Attachment Z. Attachment Z, just to make sure everybody understands, does not mandate economic upgrades. Economic upgrades within Southwest Power Pool are on a voluntary basis, similar to what we have proposed here in the ICT.

MR. CONWAY: Understood. And that brings us

really to the second question: though the Attachment Z does have a mechanism for dealing with clustering of transmission service requests and processing through them -- this is the question number 97 -- and again, why not have that wired --- that concept in utilizing Attachment Z approach for clustering the transmission service requests and thereby reduce the potential lumpiness?

The response, by the way, was that Entergy doesn't not contemplate adopting such a process. But what of the ICT? And if not, why not, given the SPP's experience with clustering?

MR. REW: Well, our experience with clustering is, we are doing our first one right now. And we are in the process of performing our first aggregate study, that we're scheduled to finish in October. So, depending on the outcome of that, if that's successful and it's great, I am sure other transmission providers will adopt that in the future. And so, I think I am not going to speak for Entergy, but it's probably taking a "wait and see" on how successful our aggregate study process is.

MR. CONWAY: But at least the ICT remains open, of course, assuming that the clustering process works. We all hope it does. Then it could be transferred to the ICT planning protocol.

MR. REW: Yeah. Well, that would be a Entergy's

call on that, and we would implement that if Entergy sees the benefit in doing it. And we could provide our opinion on the benefits of doing that.

MR. CONWAY: Maybe then the question is more appropriate to Entergy is to why not at least open up the past to studying the clusters' methodologies rather than say the response here was you're not considering doing it now, but get a little bit more ---

MR. CAMET: And I think in some sense Bruce has kind of already given you the answer. I mean, we just don't know where the clustering methodology is going to end up. So we are not ruling it out, but it is not part of this proposal right now.

If the ICT sees that it works well and thinks it's a really good change that should be implemented, and ultimately Entergy says, well, we don't think so, we don't agree. Again this is something the ICT under the proposal can recommend changes, and can include those changes in its report to FERC if they think that's the sort of generic kind of policy call where the ICT and Entergy end up on different sides of the fence. That's one issue that can be included in reports to regulators. So --

MR. CONWAY: Thank you.

MS. DESPEAUX: I've got one coming up and then Paul --

SPEAKER: Ron Mucy (phonetic) with Williams. I was very encouraged to hear about the stakeholder process and was wondering, could you comment as to how the transmission planning process maybe integrated with capacity planning and to the extent that generation maybe a more economic solution to solving congestion, or need to solve additional demand, how those are going to be integrated?

And to what extent will, for example, Entergy cited generation as opposes other independent generation, may be viewed as the more economic solution? And how will that be integrated into your planning process?

MR. POWELL: Doug Powell with Entergy. I think the focus on the planning process is looking at the NERC standards and the SERC standards in our local criteria is all focused on reliability, as we see it. As Bruce described, there is additional processes within the planning process that could focus on economic projects and stuff, and those are the kind of projects that you would be looking at from an economics point of view from a transmission provider. But, I guess the planning summit and its ultimate goal is to get information out to the market of where the problems are; where projections are; looking at the both short-term and long-term environment, so people can make decisions that are other than transmission, to bring those to the table and locate generation where they may be sites

that are more prone to having good transmission service and stuff. And that's the process of --- the planning process is to try to get as much information out to the market and out to the stakeholders, so that they see what the transmission system, and how it's performing.

MR. SAVAGE: Paul Savage of NRG. I've several questions, so I can ask a couple, then sit down and ask a couple more later on, if you have time. One question I have, the planning horizon on the base plan, is that a five year time frame or a three year, under the new proposal?

MR. POWELL: The base plan is a three year horizon.

MR. SAVAGE: Three year. Okay. That's okay. Second question I have is, could you expand on the role you see of the stakeholder process in the base plan and expand on -- because I am not clarifying what this summit will be and will they be involved in, let's say, either meeting with the ICT or anybody else in terms of actually developing this plan, or developing the assumptions that go into the plan? I wonder if you could comment and just expand on that, how that's actually going to work from a stakeholder's perspective? It wasn't clear to me.

MR. REW: Paul, I guess I am not sure exactly what you are looking for, but the stakeholder process will be an open process. You will be able to provide your

comments at open meetings. If there is some one-on-one discussions you want to have with us, that's fine. We'll be glad to sit down with individual entities and discuss their specific needs.

MR. SAVAGE: The question I have goes into the actual probably mechanics of how the base plan will be operated and the role, the exact role that you envision that stakeholders would have on that. And the reason why I'm asking that is if you go to other, let's say, other areas where they have stakeholder meetings and processes, they have planning meetings and you can actually have people go in and get a better sense of what some of the assumptions are. The concerns I have is that if the review is just simply review of the final plan, it's very hard to understand, I mean, how it works and how it's implemented. So I'm wondering is it going to be a stakeholder process as the plan is being developed?

And because that's why when I heard of the summit meeting, I tend to envision at summit meeting, here is the plan or here is the document, and I found outside of -- almost invariably throughout the country, when you do that, you understand what the final results are, but you don't understand what went into it and the dynamics of the system, and just how maybe your inputs could be beneficial to the development of that.

And so what I am wondering is --- just to get your thoughts on how you envision the stakeholders' and other market participants to actually be actively involved. So if you could comment on that, I'd appreciate that?

MR. REW: Okay, sure. As outlined in the planning protocols, Entergy will develop its construction plan, and that will be used as a starting point for the open stakeholder discussion. So we'll get feedback from stakeholders on that construction plan and other upgrades that we'll put into the base plan. So the stakeholder feedback is prior to finalization of the base plan and we'll use that as input into the base plan.

MR. SAVAGE: But, am I right in -- and I will sit down in a second.

SPEAKER: Wait. No, wait, hold on. Whoever is on the phone, can you mute? We're getting some laughter, and we know it's not driven by this down here, so ---

(Laughter)

MR. SAVAGE: Maybe my questions. I don't know, but maybe I am the only one that doesn't see this.

SPEAKER: They're having too much fun.

MS. DESPEAUX: Yeah.

MR. SAVAGE: What I am wondering in that characterization is that, it sound that the construction plan, and maybe the ICT, the SPP plan will be presented and

then people will be comment on that. What I am looking for is, there is a thought of having the stakeholder process be involved prior to, let's say, the culmination of these planning documents.

Because if Entergy is coming up with, we think the reliability issues of 1, 2 and 3, we are going to build this to resolve it, it's just that, what you're coming up with, you're presenting the stakeholders in essence with, this is the culmination of SPP's planners and Entergy's planners that's been going on for months at a time, and this is the final version, please comment and then we'll have it final in another month or two months. What I am wondering is that has there been any thought to having stakeholders or some subset of stakeholders of some sort, to be involved in the actual planning process itself. Because it's very difficult to -- if all you're doing is reading a final plan, it's very hard to really see are you bringing reliability issues in the proper way you've framed. The planning process, to be blunt, is about what's the assumptions and what's the analysis going at a granular level.

MR. REW: Yeah. I think, Paul, your characterization of it is, let me interpret it a little bit differently that the planning process we have, I believe, is what you are looking for. Because you've got to have something as a starting point. And the construction plan,

the initial construction plan, is a starting point. And then we'll go through the month or two of discussion and evaluation of what needs to go into the base plan, and that's what I'm understanding that you are looking for, and that's what we envision here.

MS. DESPEAUX: Any other questions on the planning process? Oh, Doug's going to come to the mike. It looks like Doug's -- Come on.

MR. POWELL: Just one clarification on the base plan was -- question 43 on the Attachment actually addresses it. The three years is the financial commitments, where the base plan is actually looking beyond five years, and so both near-term and long-term as defined in NERC. But the three years is really just associated with the financial commitments.

MR. BELINGER: Jack Belinger, from Calpine. I'm referring to Section 8 of the planning protocol, and if this is kind of more of the same question that has being discussed earlier -- and I'd like hear some more discussion about the relationship, or lack thereof, or if there is any relationship between the construction plan and the base plan.

I was -- my understanding was that the ICT was going to come up with a base plan, but it sounds like you are starting with a construction plan and then building the

base plan from that, where it seems like you would build the base plan and then decide what's going to get constructed based on the base plan. It sounds like you're starting with a result and then planning to get what the result is.

MR. POWELL: I guess as we -- this is Doug Powell again -- as the protocol defines is, one of the things that, you know, you go through the steps of the planning process -- you're going to be doing the model building and developing the 10 year models. You know, at that point your -- what we see is that in -- and I'll let Bruce answer as well -- but the ICT, once those models are built, they're going to post those on the websites for everybody to look at and use.

And so Entergy then will pull those models down and we will start our assessments in coming up with a construction plan that we will provide to the ICT. But the ICT can do -- be doing its own assessments at that time, as well, and looking at, you know, what those models are showing. So everybody is getting the same starting point with those. Our approach here was, as they do at SPP -- and I'll let Bruce comment on that a little more -- but we felt -- the TOs have an opportunity to say, "Here is the projects that we think best meet the reliability requirements as defined by the criteria."

And that's why we see that filtering back in to the process -- planning process as early, but at the same

time it's up to the ICT to look at assessments with and without those construction plans to see if those -- if they agree, those are the projects that are the best to meet the reliability requirements.

MR. BELINGER: I guess this kind of goes back a little bit to also what Greg was talking about early on and that if there is a difference between Entergy and the ICT in the base plan then the -- you go forward in the base plan based on what the ICT's opinion is until it's decided in dispute resolution.

MR. POWELL: For cost allocation.

MR. BELINGER: For cost allocation.

MR. POWELL: Right.

MR. BELINGER: And then in the construction plan, you go forward with what Entergy's plan is or opinion is until it's decided in dispute resolution. And so, what actually gets constructed is based on Entergy's opinion, and what the plan is for construction is based on what the ICT's opinion is. Is that correct or --?

MR. POWELL: The -- I guess when there is a divergent between the construction and base plan, the ICT will have the opportunity to report that, and report that at the summit as well to the regulatory agencies. And what we see is there is going to be some interaction to see, you know, what -- what's the difference between the base plan

and the construction plan and why this project is better than that.

And it's going to be up to Entergy to convince our regulators, as well, that this construction plan is the best construction plan and these are the right things that we think. So there's going to be a lot of interactions with a lot of the agencies, as well as trying to convince the ICT, you know, that our construction plan is the right plan. But it -- there'll be opportunities for us to hear in the stakeholder and the process, the planning summit process, if there is some -- different opinions of hey, this is a better project than what we were proposing as well.

And so we could modify the construction plan after all of that meetings and processes and information is provided back in that forum.

MR. CAMET: And just to emphasize one -- a few additional points, I think it's -- let's take a step back and see how it -- how it's framed out in the protocol. The Entergy, as we've discussed, does its construction plan, its kind of assessment. The protocol also specifically provides for the ICT to separately and independently do its own reliability assessment. Both of those feed into the stakeholder process, so the stakeholder process has both to look at.

These -- the stakeholder process provides

stakeholder input. You know, there is discussions between the parties: the ICT, Entergy, and stakeholders. Ultimately, Entergy may revise the construction plan. That's up -- that's something that's within Entergy's decision, whether or not to revise the construction plan.

When the construction -- ultimately the stakeholder input, the construction plan, the ICT's independent reliability assessment, they are both -- the -- all of those are inputs that the ICT consider -- can consider when it decides what -- to develop the base plan. And then the ICT then develops the base plan.

If there continues to be a difference between the base plan and the construction plan, Entergy's obligation to actually go out and build a facility is controlled by the construction plan, except to the extent that if there is this disagreement, the ICT can report to the -- excuse me, applicable regulatory agency. And that then if there is a legal issue involved, whether maybe Entergy should build or maybe, you know, Entergy's position is it should not build in this instance, that gets -- ultimately gets resolved.

When you're talking about lead times for construction facilities, in some sense, it's not a real important issue whose view controls pending the resolution, because there is time to resolve these types of issues before, you know, stakes are being put in the ground.

MS. DESPEAUX: And I just want to clarify that, you know, the reason it is structured like this where the construction plan -- you know, Entergy's view holds in the construction plant -- plan is that, Entergy is the entity that is ultimately responsible or answerable to the retail regulators on reliability. And so that's why this was structured in that way.

MR. MCALLISTER: I -- Bruce McAllister, Constellation. This is kind of more like a suggestion kind of question, so -- I mean, regarding modeling base cases. Now, pretty much right now it's a --- we've got to call it an onerous task, you want to do some planning, site development. You know, it takes two or three months to get some feedback, you know, from Entergy and across the country.

And one of the things that we have -- everyone uses pretty much the same kind of software, MUST, you know, for running these planning cases. And what I'd like to know is whether or not you guys will be able to allow us to run, like, tandem studies for the future using the same type of software and data collection points.

You know, so that we can -- and not have to wait two or three months -- get some feedback fairly early on in the process to whether or not a project or a side or a transmission line or something we're looking at, is actually

going to be, you know, worthwhile. That we're not going to be put some -- a lot of effort into finding out three months later that we're going to get TLR'd and it's not worth the time.

I know Entergy's put their AFC analyzer on their OASIS, which is a good step, but it is pretty much worthless because it's -- it doesn't include anything that you really need. So it's kind of a waste of time. So basically, you know, the bottom line question is, you know, will you allow us, or you know, the rest of the market, to use the same type of software and data points, you know, to run our own analyses?

MR. REW: The models are available, right? Yeah, the models that we will use in this planning process will be publicly available, you know, with the limitations on them. But, in general, you'd be able to take those models and use MUST to run your own analysis on a side-by-side comparison.

MR. MCALLISTER: So you'd give us the same type of historical points and allow us to run and -- so in a perfect world, you know, we would run the study, get an answer. You would run it, and they should be pretty close. And therefore, even though it may take you guys two months or three months to come back with an answer, we could run the same thing with our own staff, get an answer in a week, and go, "Well, yeah, maybe it is worth it to wait two

months, because we should get the same results back."

Or we run it, you know, we -- two weeks later, and we get some points. It does tie up a lot of memory. And then we could just say -- move on to something else rather than have to wait, you know, three months to find an answer.

MS. DESPEAUX: Can I ask whether you're talking now about a system impact study, a request for transmission service, or we are still on the planning protocol?

MR. MCALLISTER: It's -- I would have to --

MS. DESPEAUX: And I just want to -- I'm just clarifying that.

MR. MCALLISTER: Yeah, I'd have to say it's more in line with like the system impact study, you know, but it, you know, it does have some, you know, co-elements with the whole planning process.

MR. SCHNITZER: Well, maybe we can pick that up -- this is Michael Schnitzer, on behalf of Entergy. But I think just for interconnection-related studies, I think Entergy already has already has a protocol for doing a very quick turnaround kind of a thing for just that reason.

MR. MCALLISTER: Right. But we want to be able to run the same study and get a result in a quicker fashion. And the question is, you know, will we be able to do that with, you know, in this new environment.

MR. POWELL: You know, what we do right now is, we post the models out there.

MR. MCALLISTER: Right, right.

MR. POWELL: And we post them with what we call the approved projects and proposed projects, so you understand where we may be going in the future. And so the -- trying to get a distinction in it, we tried to put some, I guess user-friendly processes there where we're actually are setting up with the idea files -- the files that are used to input a new transmission line or something are all singly created so that you can try different things.

So hopefully that we've got some flexibilities. We will be recommending to the ICT, something very similar to that in the process and how those models were set up. I know Bruce and them have some experience in that as well. If there is anything that they are doing, that's different, we'll -- they will be able to post those kind of things, but the process we're doing now you can get those same kinds of models and stuff.

MR. CAMET: You've been able to get them for quite some time.

MR. MCALLISTER: Yeah, I know the models are out there, but it's just, you know, whether or not, you know, we can run the same study. You know, that you guys using the same software and come up with the same results, you know,

in a shorter amount of time. You know, and that's another model.

MR. SCHNITZER: You're going to be running on your software.

MR. MCALLISTER: Right. Right. Right.

MR. SCHNITZER: So what is it exactly, the extra that you're -- you were looking for us to --?

MR. MCALLISTER: Well, just to make sure that, you know, the type of software and the -- that you guys are looking at is, you know, like, "Hey, this is how we are looking at this. This is the software we're using." You know, if you ran it the same way we're running it, you should get the same results. You know, and you shouldn't have to wait three months. That's it. That's the point.

MR. CAMET: Right. I mean we -- I don't think we have to belabor this, but there are reasons why you wait longer for us. We have to -- we have to resolve requests that ahead of you in the queue.

MR. MCALLISTER: Right.

MR. CAMET: We also, as part of a system impact do -- study, do an analysis of the costs if their overloads indicated a quick cut of how much the upgrades are costing. Next, do you have another question?

MR. MCALLISTER: No, that was -- I think that's --

MR. CAMET: Okay.

MR. PIONZEK: Morning, Luke Pionzek (phonetic) on behalf of Calpine. I've got a question for Mr. Rew. I'm still little unclear on the use of the construction plan as a, quote/unquote, "starting point." Is it my understanding that the SPP is going to take the upgrades or the data in the construction plan and run it through SPP's models and verify that that meets the NERC and SERC criteria? Or is SPP going to use its own inputs that it develops and runs through its models and comes up with a plan and compare the two?

MR. REW: We'll be using a model that's been finalized and approved to be the Entergy model. That's what we'll use to evaluate whether or not there are reliability problems that need transmission upgrades or other types of fixes to make sure that it meets the criteria.

MR. PIONZEK: Okay, then I guess my question was more designed toward the inputs of that model. Do you use just what you get in the construction plan from Entergy, or do you develop your own inputs and put it into your model?

MR. REW: Well, we'll use the inputs from Entergy, but we'll evaluate those inputs and make sure that everything is appropriate and that there's nothing that we see that shouldn't be in there.

MR. POINZEK: Okay.

MR. SCHNITZER: Bruce, you may just want to refresh everyone's memory that there's a base case model prior to the construction plan which you do develop.

MR. REW: Yes.

MR. SCHNITZER: The construction plan is not the same as the base case model. The base case model precedes Entergy's construction plan.

MR. PIONZEK: Okay, and you developed the inputs to the base case model?

MR. REW: Yes, we --

MR. PIONZEK: You being SPP.

MR. REW: Yeah, we work to develop the base case model and create that.

MR. PIONZEK: Okay. And then what happens after you get the construction plan? Do you compare the results of the two, or do you change the base case model based on what you see from the construction plan? I'm just trying to work through the process of how it's going to work.

MR. REW: Well, the base plan or the base model is -- do you want to --

MR. CAMET: I think, just to take a step back. Entergy, like the other regions of NERC and SERC, develops the Entergy base case model. And that process is referenced in the planning protocol. And that's a base case model that ultimately gets separated out to planning functions, it

separated out to any number of functions. It's the basic kind of representation of the Entergy system on an annual basis.

And so SPP will participate with Entergy in developing that base case model and we -- you know, data is shared between regions throughout the country. The models themselves go back and forth between SERC and NERC. That base case model is then the representation of the system. And from that base case model, Entergy works on its construction plan: What its assessment of what needs to be built, consistent with the planning criteria.

The ICT does its own independent reliability assessment using that base case model. And that includes -- for example, if the ICT's participation in the development of the base case model includes reviewing the data inputs and it also includes a level of review that's specific to the planning process. Again, the base case model is kind of a generic model that leads down to a lot of different issues, transmission service to planning, et cetera, et cetera.

MR. PIONZEK: Okay. Thank you, and I guess my last question would be, once SPP gets the construction plan from Entergy, is it going to analyze that, sort of as compared to the base case, to see if there are any changed assumptions or changed inputs that have shown up in the

construction plan?

MR. CAMET: Yeah, again I think we are missing each other. The construction plan is not a load flow model. The construction plan is a list of projects. You then put those projects into the load flow model, the base model, base case model, and you rerun it and see if you like the results.

MR. PIONZEK: Okay.

MR. CAMET: But it's not like -- the construction plan does not supersede the base case model. It's a proposed set of projects to be incorporated into the base case model to see if with those construction upgrades, the plan now satisfies the relevant criteria, that's what SPP's is going to do, is the answer to that question.

Independently verify that the -- that they agree with the list of criteria that need to be addressed and independently verify whether the construction plan meets those issues or not, and meets it in the best possible way. And that's -- but Entergy isn't coming in with another model at this point. It's a list of projects.

MR. PIONZEK: Okay. Thank you.

MR. CAMET: And when I was speaking earlier, I just want to make clear that the ICT is developing that base case model through the regional processes that are currently used by Entergy. So when I say the -- Entergy has its base

case model that's -- what I'm referring to is that there is a model that's developed for the Entergy system. As we transition to the ICT, the ICT is going to be the entity that's going to be participating in those regional processes and developing the base case model.

MR. PIONZEK: Thank you.

MS. DESPEAUX: Other questions on the planning protocol? Oh, Gary. Come on down.

MR. NEWELL: This is Gary Newell from Lafayette. A quick question, if there was an expansion under consideration that -- just because of loop flow effects had adverse impacts on an adjacent system, either in SPP or elsewhere, is that a consideration that the ICT would be authorized to consider in the development of the base plan, or is the base plan really just focused on the reliability of the Entergy system alone?

MR. REW: Well, that's part of the coordinated regional planning that we would do in the planning process. And we would make sure that the model that we use in the actual upgrades, that go into the base plan, you know, don't impact somebody else and -- that's a neighboring system. So, yeah, that is a consideration in our evaluation. We just don't, you know, look at our little world and not anything else.

MR. NEWELL: Follow-up to that, Bruce. If the

ICT determined that a particular expansion on the Entergy system should not be implemented because of its adverse impacts on an adjoining system, but Entergy, nevertheless, went ahead and included that project in its construction plan --- capital C, capital P Construction Plan -- is there a mechanism that exists for dealing with the resulting impacts or costs on the adjoining system?

MR. REW: Is there a mechanism in place for dealing with the costs on the adjoining system? Well, the system operates as it does today, which is it operates on a path of least resistance and there are loop flows that occur all the time. What would do in that -- the situation that you're describing, Gary, is we would -- as the ICT would come up with an alternative solution that we would deem to be a better solution which would not impact the transmission system, either in Entergy or in other system. And that's what we would look at proposing as an alternative, assuming that it is a better alternative than what was initially proposed in the base plan.

MR. NEWELL: And if Entergy, nevertheless, adopted the expansion in question as part of the construction plan, you'd report that divergence to regulators and so on as we've discussed.

MR. REW: Yes, that's the scenario that's outlined in here where we'd have a disagreement in the

construction plan versus the base plan and we would state our position on why we think it should be something different and they would state theirs and we would let the regulators decide that.

MR. NEWELL: And last piece of that, but there is no framework, is there Bruce, for saying, "Well, Entergy, you can go ahead and you can build that, but you'd have to bear, somehow, the costs that that imposes on the adjoining system."

MR. REW: No, not --

MR. NEWELL: Okay, thanks.

MS. COTTONWOOD: Hi, Lynn Mackie-Cottonwood. I just want to confirm that all the short-term and long-term models, the AFC models, will be managed and handled by the ICT once the ICT is in place? Is that correct?

MR. REW: Yes, we'll be developing all of the base models for Entergy and any of the powerful models that come out.

MS. COTTONWOOD: So you know, like, the fact that these things are updated on a regular basis, that would be the ICT's responsibility?

MR. REW: Yeah, we'll be managing those models. Yes.

MS. COTTONWOOD: Okay, and then when we find problems with those models, we would be going to the ICT

with those issues? There will be an ombudsman or whatever?

MR. REW: Yes. Uh-huh.

MS. COTTONWOOD: Okay, thank you.

MR. SAVAGE: Paul Savage, again, of NRG. A couple of question -- one question I have, in the -- in your presentation, you made a statement that the ICT would take into account, let's say, the regional issues. And I'm just sort of wondering how those -- your findings on a regional basis that may impact, let's say, reliability and/or upgrades. How would that flow into the process? It wasn't -- I mean, in terms of, you know, the model, the construction plan, and then the base case. I mean, what level would that input, or it is -- would that be -- just be, you know, just information without -- that could be used for both you and Entergy without any more substance?

MR. REW: Well, when you get into the coordinated regional planning, you know, it's one that we need feedback in both directions. For example, if a neighboring transmission owner is going to do something which negatively impacts Entergy, you know, we would want to know about that and factor that into our process and work together to try to resolve that. So the key here is that there is communication between the neighboring transmission owners. We're exchanging the development and plans that we're looking at to make sure that we can come up with the best

solution for the grid itself.

MR. SAVAGE: Okay, would stakeholders be involved in any of these processes?

MR. REW: Yeah, sure, there is involvement in the stakeholders. You know, anything that we do will either have direct stakeholder involvement or we'll, you know, post the information and the analysis on the website. So, yeah, they will be involved in it.

MR. SAVAGE: The -- another question I have, if I can ask another one, is on response to question 43. I just wanted to clarify a point, if I could. There was an indication in question 43 that the plan will work out beyond five years, but current financial commitments were based only at a three year out --- three year horizon. One thing I'm wondering is, let's say, in year five, the plan identifies a reliability upgrade.

You know that -- and that -- so it's not going to be part of the construction plan because it's not within the three year window. Let's say, a interconnect -- a either -- someone wants to upgrade the system, a merchant or a load or whoever, and their system impact study indicates that also has to be upgraded, let's say, and they want to upgrade it faster. But you have still the reliability issue in year five. How would that be -- would that be considered a reliability upgrade, a partial reliability upgrade, or just

solely an economic upgrade?

One way of treating it, you could say that the load is in essence or the generator in my example, is merely accelerating a reliability need. So, therefore, the load of the generators, perhaps, should pick up the costs of the acceleration, but that's it.

MS. DESPEAUX: Can I intervene? I think you've, kind of, moved over to pricing now. I think we're, kind of, into the acceleration and who should bare the cost, which really comes into play in the pricing.

MR. SAVAGE: If I could --

MS. DESPEAUX: And maybe I'm -- if you're -- if that's not what you're asking --

MR. SAVAGE: No, that's not what I'm asking. What I'm asking is what is the one way of -- what is the nature of reliability in terms of what is the effectiveness? How price comes into it, comes into it later. But because it goes into the issue and that's what -- I'm just trying to clarify your point of -- you're saying the base plan work out beyond five years. However, a firm financial commitments must be based on -- for three years. Question is, what -- when you -- when Entergy and the ICT defines reliability, is reliability defined within a three year horizon?

Because you've separated out -- you potentially

have separated out construction from reliability. And I'm trying to find out if, in essence, you have done that, or if what you have done is defined reliability within the construction framework, which means it's a three year -- that's a three year study period. Do you see what I'm saying? And that's what I want to find out. What is -- is reliability within three years, consistent with the construction timeframe, or --?

MR. REW: Well, the reliability will be for the planning horizon.

MR. SAVAGE: Which is --

MR. REW: -- which is beyond three years. That's --

MR. SAVAGE: Okay, so --

MR. REW: As answered in the question. Then it gets into the financial commitment --

MR. SAVAGE: Right, put the financial issue aside -- who pays for it. But it will be identified, at least, in step one, that this upgrade is a reliability upgrade in years --

MR. REW: Yes.

MR. SAVAGE: Five or six.

MR. REW: Yes.

SPEAKER: That's right.

MS. DESPEAUX: Okay, now we're coming up to

10:45. I'm not going to adhere to the schedule, but we are about set for a break. If there is not any more questions on this particular protocol. Okay, why don't we meet back here at 11:00, which is about 15 minutes from now?

(Recess)

MS. DESPEAUX: Okay, are we ready? Okay. I'm ready. Now we did have one question that was still on the transmission planning. So we're going to take that question before we move on to the transmission service.

MR. THIBADEAUX: Thank you, Ms. Despeaux. I'm Mike Thibadeaux with Lean (phonetic) and the Alliance. In the previous hearings on the transmission issue, the Delaney study was included in the transcript. My question is, is the upgrades, the five year economic upgrades that were promised, are they included in the base plan?

MR. POWELL: The list of projects that were in the LPSE (?) study, Phase 2, that has been committed to -- they are in our construction plan and they're actually proposed to be completed in 2006 and 2007. So those are a part of our construction plan. Those would be, I guess, also looked at, at the base plan -- when the base plan is developed. But right now, yeah, they're -- the -- part of those projects are reliability. Some of the projects that you're talking about are economic projects.

MR. THIBADEAUX: Right, there were economic

upgrades to the system and SPP is saying that this is a reliability upgrade. There is a slight difference in the -- what we're discussing here.

MR. POWELL: But it would be listed in Entergy's construction plan as projects.

MR. THIBADEAUX: And that's your base plan --- that's included in your base plan? Are you going to start from?

MR. POWELL: Well, it -- you would actually put those projects in when -- based on the years of service they come in, the in-service dates, and then reliability would be looked at and studied thereafter.

MR. REW: But I think what -- maybe what you're asking is, the transmission upgrades in this particular study that Entergy's committed to are economic and will they be included in the model itself? And the answer that I'm hearing is, yes, because it is a commitment for Entergy to build that transmission. So we would represent that in our base model.

MR. THIBADEAUX: Okay, thank you. And that was Phase 1. Phase 2 has some other economic upgrades and would that be also part of your future planning to be economic and reliability?

MR. POWELL: Yeah, there is three phases --

MR. THIBADEAUX: Correct.

MR. POWELL: -- three projects and Phase 1 is reliability, Phase 2 and Phase 3 are part of the LPSE Phase 2 study and those are the economic projects.

MR. SCHNITZER: Okay, thank you. And we can come back to this, this afternoon if need be, but I think that those projects have been committed to and they'll be represented in the modeling. But the, you know, the prospective cost allocation between base plan for cost recovery and supplemental for cost recovery will be a determination that the ICT will make with respect to those projects.

MR. THIBADEAUX: Okay, thank you.

MS. DESPEAUX: Okay, now I believe we're moving over to the transmission service protocol. And at this point, I don't believe we have any presentations or anything so it's really -- we're just going to open it up for questions on that particular protocol at this time.

MR. MOOT: Could I just ask the questioners if -- - to let the panel member answer. You guys have had some good follow-up, but sometimes you're tripping over each other and it's going to make it hard for the transcript to be clean.

MS. DESPEAUX: And I have one more general announcement that I was asked to make and that's just that, in terms of lunch places, there is a -- Jerry Jackson out at

the front table has, kind of, a list of restaurants that are within walking distance of here, just in case you're not familiar with this area.

SPEAKER: There are hardly any of those anymore.

MS. DESPEAUX: Yeah, I know. Just about every other building is a restaurant, but -- okay, I'm sorry. Do we have any questions on the transmission service protocol? And we have -- just so --- I mean we have -- there are some answers -- you know, questions were previously submitted. They are in the answers that were supplied earlier this morning. But if there is -- just if there is any other questions on that particular protocol?

SPEAKER: This is your chance to ask questions about the AFC process or audit or those kind of things that we proposed in that protocol.

MS. DESPEAUX: And if not --- oh, wait, can't miss an opportunity. Come on down, Gary.

MR. NEWELL: Gary Newell for Lafayette. Hopefully, this will everybody else going. Could you discuss, sort of, the interrelationship between the determination of AFCs after running the optimization?

The optimization is run. You look at the AFCs -- how that set of values is then factored in to grant or denials of transmission service requests outside the WPP process for, you know, either short-term point-to-point,

long-term point-to-point or a designation of a new network resource and to give it a little more focus? It seemed as though -- my reading was that you would run the optimization, you'd get the resulting AFCs and you'd sit down with those before evaluating the other service requests. In other words, the other service requests would be granted or denied based on the AFCs that result after running the optimization. And one could look at that and reach the conclusion that these other service requests, including long-term service requests, are subordinate, if you will, to the grants of weekly transmission under the WPP --

MR. CAMET: Kim, maybe, I can say you're --- can I make a suggestion ---

MR. NEWELL: -- I've got that wrong.

MR. CAMET: I don't mean to interrupt you, I'm sorry.

MR. NEWELL: You're going to mess with the reporter.

MR. CAMET: I just think --- well, we've got the WPP process people coming up later on today and I think we'll go --- we don't mind addressing that question at all. But I think it'd be better to go ahead and do that when we've got the WPP group.

MR. NEWELL: Oh, okay, that's fine. That's fine.

I was thinking that was part of the protocol for transmission service.

SPEAKER: Do you want to --?

MS. DESPEAUX: Why don't -- I'll tell you what, Glen, can you ---

(Laughter)

MS. DESPEAUX: Gee, you're going to love this idea. But can you come up, it sounds like we may want to --- and where Turner is, I'm not sure where Turner is. But, maybe, we should go ahead and just -- given that there are not -- it appears to me that the next set of questions may be on the WPP. So I need Riley, Turner, and Bernstein up here. Yeah, I think why don't we go ahead and answer that question, and then, I know they had -- and I'll let, I'll turn it over to Glen and Ken, but I know they also had, maybe, an example or something that if we want we can go through, or we can continue with the questions.

SPEAKER: Yeah, Gary, could you just repeat the question for us? These guys -- I don't --

MR. NEWELL: The question is -- and it's sort of, I realize, kind of at the threshold between the transmission service protocol and the WPP process. But it's -- it goes to how the WPP process affects the grant or denial of transmission service under the protocol.

Question is, it read to me as though the AFCs

that are used for purposes of granting or denying transmission service requests that are submitted outside the WPP for either short- or long-term point-to-point, or network resource designation, that those evaluations are done based on AFCs that are, if you will, post-optimization.

You run the WPP optimization, you look at how the system loads up, and then you would sit down and evaluate the availability of capacity, flow gate capacity, to satisfy these other non-WPP transmission service requests.

And so the point I was making was, it appeared as though these other requests, even if they were for long-term services, would effectively be subordinated to the weekly services that are provided under the WPP, since, you know, a WPP resource is quote, you know, "granted weekly service" if it's adopted, or it's dispatched under the optimization.

So that's the question -- is there a sort of a subordination of these other non-WPP requests, even if they're long-term requests?

MR. BERNSTEIN: Well, this is Glen Bernstein from Scotton (phonetic). On the long-term requests, Gary, I think the answer is no. And the simple answer being, AFCs are not used to evaluate long-term requests. And so, how the WPP affects the long-term -- the AFCs won't impact long-term transmission requests.

If you're also asking about other shorter term

requests, the answer is, if a request is submitted prior to the WPP process beginning, those requests will be evaluated under the AFCs that were in effect, prior to the WPP optimization process. So those will remain unaffected by what happens with the WPP.

If a request for a short-term service is submitted after the WPP process has begun, that request is really a subsequent request for queuing purposes. And so those are subsequent to the requests submitted as part of the WPP. The WPP optimization will be run, service will be granted or denied through the WPP process. That resulting set of generation dispatch and other information coming out of the WPP will then be used to establish the AFCs that will be used for that WPP week and those AFCs will apply to that subsequent request. And, you know, that subsequent request is queued after the WPP request.

MR. NEWELL: So if I come in with a long-term point-to-point or a network service -- network resource designation, that would be evaluated kind of on its own merits using whatever criteria, using the system impact studies without worrying about loading the results from the WPP that's just --?

MR. BERNSTEIN: Yeah, I mean there are better experts than I on that, but that's -- I believe that's correct.

MR. CAMET: And again, there are AFCs that come up better that are generated after that optimization process, that's for that single WPP operating week. Those that the AFC values that week. For going beyond that time frame, we don't have an optimization run that applies beyond that time frame, and so we're using the normal process we use to evaluate requests.

MR. NEWELL: Okay. Just one point that you made, Glen, about the queuing, in other words, kind of one, sort of caveat, and the -- I think the protocols, it's said there could be situations under which a short-term request that was submitted prior to the submission of the WPP cost information, so it's prior in the queue that those service requests might, nevertheless, be denied under certain circumstances, and it sort of open the question of what would those circumstances be? Do you have in mind the provision I'm speaking of? If not, I'll chase it down.

MR. CAMET: And I think what you're talking about is, I think the idea we -- there are two provisions in there, one relating to reservation and scheduling deadlines. If you look at monthly and weekly service, you're probably going to get all of that resolved through the queuing process before you run the WPP.

There are certain instances, though, and it -- and the -- and it marginally involves daily service, and it

involves the fact that daily service has a right to bump other daily service depending on conditions. And then there is -- there's another set of time conditions for when parties have to respond if they want to match that request.

And so there seems to us to be a circumstance where, because of the deadlines, you just can't get a response back from a customer whether they are going to -- they want to bump, or whether they want to match. It maybe it's the better way, whether they want to match a request that would normally bump another request.

And if you just can't get that process done, the idea is do the WPP, and then at the end of that, the ICT goes back and confirms that a point-to-point request that was submitted prior to the WPP doesn't in effect get bumped by a point-to-point request that we granted in the WPP. And that's the idea. You preserve the "first come-first serve" priority rights.

And it's just in that -- that one -- it's kind of an odd instance, and it has to do with these tariff deadlines that can actually take a lot longer than you think, when all of the requests are interrelated. You've got 10 requests that are interrelated, so you wait an hour for this guy to respond; you wait an hour for the next guy to respond; you go, and that's the instance. It's pretty limited.

MR. NEWELL: Okay. All right, thanks.

MS. DESPEAUX: Are there any other questions -- I didn't -- don't mean to cut off questions on the transmission service protocol. If there are any other ones, we certainly --

MR. SAVAGE: Does this -- I just want to make sure that I understand the agenda. Does this also cover the independent coordination transmission, the interconnection service protocol, or is that in the afternoon?

MS. DESPEAUX: The interconnection service protocol is currently scheduled for tomorrow morning.

MR. SAVAGE: Okay, that's me.

MS. DESPEAUX: Oh, the -- I'm sorry, no.

MR. SAVAGE: I'm just trying --

MS. DESPEAUX: That's right. The interconnection protocol is scheduled for tomorrow morning, but it is -- there is a interconnection service protocol that's part of Attachment S, as well. That was back in the earlier -- but you can -- Paul, if you just want to --

MR. SAVAGE: Yeah --

MS. DESPEAUX: Ask your -- I'm sorry.

MR. SAVAGE: I was looking at that and I haven't read the other ones so, I'm want to ask some questions on that. One thing I was -- on the -- you mentioned service, which goes to the study issues. I noticed that the ICT does

system impact study, I think, using criteria developed by, I guess, given by Entergy I think, is how it works. And then Entergy does a facility study, if I'm not mistaken.

One thing is curious like, if the ICT is doing the system impact study, why does Entergy do the facility study? Can you go on to explain the rationale of why that would be, because I mean I --?

MR. REW: Sure. In the facility study process, it's one where you get into the actual details of what it's going to cost to upgrade the transmission system, and that's something that we would have to rely on Entergy just like we do for Southwest Power Pool for generation interconnection. We rely on the transmission owner to provide us the details in that facility study process.

Now, one thing that I want to clarify is that for the facility studies, the ICT will still be reviewing those facility studies. And that is in there. So we'll be involved with it, but the agreement will be with the transmission provider, and they'll be performing the details and coming up with the cost estimate.

We just don't have the skill set to do that, or the information to do a facility study independently like we do on the system impact study.

MR. SAVAGE: Okay. So I -- just to make sure I understand so that -- the facility study is basically more

detailed cost engineering study. You're not anticipating the facility study to identify upgrades that are not identified in the system impact study, are you?

MR. REW: That's correct.

MR. SAVAGE: Okay. Okay. Secondly, I noticed that the system impact study is going to be based on criteria that is basically given to the ICT, if I'm not mistaken. Could you go into, you know, one, what role, if any, does the ICT have in developing the criteria? And two, can you briefly explain how the criteria is developed? And what is the general criteria?

MR. REW: Sure the criteria for the generation interconnection is one that Entergy uses right now, and the ICT will evaluate that criteria, and make sure that we feel that it's consistent with the industry practices, and you know, if there's something in there that we don't agree with, we'll go back and try to get a resolution on that, and get it changed.

So we will be evaluating the criteria that we used for the system impact study. It's not that we're just going to take it and go on. So we will be reviewing that, and feel comfortable with the process.

MR. SAVAGE: Would it properly -- is it a proper characterization to say that the criteria will then be sort of like a joint enterprise? I mean, Entergy will initially

come up with theirs, and you would be reviewing it, and having some dialogue, or is it just sort of -- unless you have incredible heartburn that it's going through? I'm just trying to get a sense of the detailed role of how this is going to work.

MR. REW: Well, it depends on -- we need to make sure we clarify what is meant by criteria. The criteria, if we're talking about a local reliability criteria that Entergy has for their system, that's not -- that's one that Entergy develops and gets approved through the regulators.

MR. SAVAGE: So you don't have any -- so you wouldn't have any role -- or are you saying you don't have a role in reviewing to see whether those local criteria need to be revised?

MR. REW: Well, we'll review those, but it's a little different than the actual practice of, you know, how you evaluate, you know, what you put in the model, and how you look at it. So there are different parts of the process, and the reliability part of it is one that Entergy has local area requirements that we'll be following, and then we get into the actual study process.

MR. SCHNITZER: Just if I could -- and Bruce, my understanding is that in that respect there's no difference between the ICT proposal, and the SPP RTO in the same issue as the local criteria?

MR. REW: Yes, in the SPP RTO we have our procedure for doing the impact study, and we recognize the individual transmission owner criteria just like we will do in this situation.

MR. SAVAGE: And correct me if I'm wrong. I am just trying to get it -- this is more for my understanding. I thought that in SPP you had -- there was also an SPP criteria that was put on top of the local transmission requirement, and that what I'm wondering is from an educational process is that you're -- there was an indication in the tariff that you would be overseeing it, overseeing the criteria and determining if it's correct.

And I'm just trying to get a sense of -- given that statement in the tariff, what is the level of oversight? This is exciting. What I'm trying to find out, is what's the level -- what is that level of oversight that's indicated here? And, you know, it --

MS. DESPEAUX: Wait; whoever is talking on the phone, can you please mute your phone? Because we're listening to your conversation. Thank you.

MR. SAVAGE: I'm just trying to go through what I consider the major points, and see what is the level of oversight, or what type of analysis you do have? It sounds as if from the local analysis --

MR. REW: We have review over the entire process.

So we'll review the entire system impact study process just like we do under the SPP RTO. And just like under the SPP RTO, the individual transmission owners have specific local criteria that they need for their transmission system, which is subordinate to SPP. And in the ICT, we also have the SERC planning standards --

MS. DESPEAUX: Wait, hold on one second. Whoever is on the phone, we're having a hard time hearing the people down here, because we're listening to a conversation you're having on another line. Please, can you mute? Wait. Okay, we're going to try and turn the volume down here. It's like my children, they don't listen.

SPEAKER: I apologize, I couldn't understand, I couldn't hear what you were saying, Paul.

MR. REW: The process for the interconnections under the ICT will be similar to what we have under the RTO.

MR. SAVAGE: Right.

MR. REW: The individual transmission owner, in this case, Entergy, will have its local liability criteria that they have established. The RTO will be made aware of that, and will review it to understand why that's in place, and what the need is for, and we will use that in the system impact study process.

MR. SAVAGE: Okay, what happens if you disagree with it? Let's say on an aspect of criteria, what happens

then?

MR. REW: If we disagree with that criteria, then we would make a recommendation to Entergy and anybody else that's appropriate to change that, and defend, you know, why we think that needs to be adjusted.

MR. SAVAGE: Okay. Could you walk me to the -- anyone else has questions, so I'm just trying to figure out how this process -- and I -- 'cause I can envision a situation where, you know, the ICT takes issue with certain criteria. Because obviously the criteria is going to drive the costs and drive the upgrades. I'm trying to figure out if you have a dispute with the criteria, one, who gets to know about it?

Let's say you're doing a study for me. Would I get to know that -- would I get to be involved in the criteria you think is -- has a problem? I understand you don't want to let me -- what everyone is trying to get a sense of how it's going to work out, who's going to be involved, and what's the -- And suppose Entergy says, "We just have to disagree. This is our criteria. You just go and implement the study using our criteria." What happens?

MR. REW: I want to clarify -- this is for an interconnection --

SPEAKER: A study request.

MR. SAVAGE: Right. And what I -- what we

already stated initially, that the facility study is just going to take the upgrades identified, and system impact study, and tell you what the costs are.

MR. REW: Uh-huh.

MR. SAVAGE: Right? There was -- there was no disagreement that, so that when we step back, am I right on that? Was I incorrect?

MR. POWELL: There could be, when we do a facility study, one of the things that could be recognized when you put the upgrade in that was identified in the ICT study, that could create an issue of another element that could be overloaded.

Those would be discussed, and when you do a study, you don't have the exact criteria when you put that fix in -- what's the line rating; what's the rating of the breakers -- you know, something in the capacity could change on what the facilities actually are going to be, and that could change some results of the next element in line.

But that's something that we would have to set down with the ICT as part of our facility study process, and show them, "Hey, we've got one other element that needs to be looked at." They would have to agree on that, to incorporate that in into the facility study. They would have a chance to review those studies. They could run the models as well, because we would give them, "Here's the

upgrade that it's going to take as you stated in the impact studies."

MR. SAVAGE: Okay. Could I ask a question on that if I could?

MR. POWELL: Yeah, the -- it --

MR. SAVAGE: That leads me to wonder, is the ICT going to be given the -- what I consider the raw data of the transmission system? For example, in a lot of other places in the United States, when you have a system impact study, you really have to have the utility to do it, because only the utility knows all of, let's say, the facets of the system.

If I have a consultant, and the consultant knows 95 percent of the system through other sources, but doesn't know the remaining five, his system impact study is, you know, is suspect, because he doesn't know everything. What I'm wondering is, is this example that you're pointing out, do you think that will be more of a cause of, let's say, error of oversight by the ICT, or would it be that the ICT perhaps was -- may not have all the information necessary to glean those issues that come out in the facility study?

MR. POWELL: I think, Bruce, you may have talked about how you all do it today, but I guess, you know, when we do an impact study, and get some results, had those studies -- when we go to the facility study mode, there

could be some additional things that have to be added in, and looked at when you do those studies, and -- but those would have to be coordinated with the ICT, and how you coordinate with the TOs today.

MR. REW: Yeah, and, you know, our intent in the impact study is that we would be able to make sure that we've identified all the facilities, and I think the number you used is 95 percent if -- you know, we were at least 95 percent accurate, that we've captured the facilities, and there would be a rare instance in which, you know, there would be other transmission upgrades that would be required, because we put it into the model in our facility study, and actually did some additional assessments. And go,you know, "Oh, this is a surprise to us, but we're going to need to do something else here."

And it would raise the -- and now we've seen it, I don't know if you have, Doug, but in the SPP, we've also seen it where you go to the facility study, and some facilities identified in the impact study actually drop out, once you put it in the model. I don't know if you've seen that, but we have in ours. So it could go both ways in that -- those various instances.

MR. POWELL: Yeah, you could come up with a better solution than what was developed in the impact study.

MR. SAVAGE: Yes. Okay, but it's from your

perspective, from both yours and SPP's perspective that -- it's more or less in this, well, I can see there's more finer engineering, not the fact that you don't have enough, more than likely the base case information in the study? Is that fair?

MR. REW: Yes, in our -- the information that we would have is the ICT is the same as what Entergy would have as the transmission owner, and I wouldn't see the study results being any different, just because we as the ICT are doing it, versus Entergy.

MR. SAVAGE: I have some more questions, but I can sit down and wait if you want?

MR. CAMET: There is just one kind of clarifying point we had gone -- we had gone over a number of different areas, and the discussion had started with, you know, what's the criteria, how do we know the criteria? And I think the idea is that the criteria, as they are defined here whether it relates to interconnection studies or transmission service studies, those are a set of generally applicable procedures, modeling assumptions, et cetera, everything that's listed in here.

And that the ICT does review those. And the scope of the review is contained in Section 4.1 of Attachment S. And that those documents are publicly posted so that the customers know what those criteria are. And

then, as you go through individual service requests, for example, in the interconnection study, you know, you're not really changing the criteria themselves; you're applying those criteria.

And then if there's a disagreement between the ICT and/or Entergy on how to apply a certain agreement or a -- certain criteria or data input, the system does -- interconnection service protocol states that those disagreements will be identified for the customer in the report.

MR. SAVAGE: What happens if the ICT disagrees with a general criteria because general criteria will drive the studies. When I'm -- that's what I'm trying to ask. What happens if you -- they say this is the general criteria for the studies going forward, and they give you criteria in terms of various facets of stability, voltage, thermal, from Entergy's criteria, from NERC and from SERC.

And I'm just trying to get a sense from the ICT. The ICT looks at it and says, "We have an issue with criteria x." And Entergy says, "Well, we disagree." And what happens?

MR. CAMET: There's -- the ICT may propose a change to those.

SPEAKER: And so that's --

MR. SCHNITZER: The ICT will fully review how

Entergy implements the NERC and the SERC supplements. And if they have disagreements about any of those implementation protocols, they can bring those disagreements to light. And then they also review the local criteria.

MR. SAVAGE: So they would file, that is, they would inform what the FERC and the state commissioners of that we have, that we disagree with criteria x in a public loop? Is that how --?

SPEAKER: Well, not that you can -- we don't expect that SPP is going to disagree with the SERC criteria. The question is whether they would agree with the way that Entergy has implemented that particular aspect of the SERC supplement.

MR. SAVAGE: But I thought there was --

SPEAKER: So just to be precise about the language, sir.

MR. SAVAGE: I thought -- again, I'm -- maybe I was mistaken, I thought that there was as part of the oversight that SPP had, was a review of the criteria. And what I -- maybe I'm mistaken, that's why I want to make sure I understand.

MR. REW: No, that is correct. We will review the criteria --

MR. SAVAGE: And so in reviewing the criteria, I thought it would, maybe I overstated your role. I thought

that you would also have a provision of saying, you know, Entergy's, let's say, local criteria we think is too conservative, too liberal to x. And we think you should change it -- this, instead of saying one, two and three, we think it should say A, B, and C. We think that is the more appropriate approach to a general criteria of this nature. Now I thought that -- I gathered you would have that power.

MR. REW: Yes.

MR. SAVAGE: Given that, and what I'm saying is the issue, Entergy says, "Wait a minute. We spent years developing this criteria. Our criteria is correct. We don't agree with you."

MR. REW: Yeah, Entergy still has the ultimate responsibility for reliability of assisting with the regulators. And they are the ones who have to answer that question.

MR. SAVAGE: So your authority --

SPEAKER: Paul, you need to let him answer your question, okay?

MR. SAVAGE: I'm sorry; I apologize.

MR. REW: Yes. You know, the answer is Entergy still has the ultimate responsibility for reliability of their system. We make recommendations -- we can make recommendations to the changes in the local criteria, but they still need to answer to the regulators and our

recommendations will be, you know, publicly viewed by the regulatory bodies.

MR. SCHNITZER: And in that respect the ICT proposal is identical to the SPP RTO?

MR. REW: Yes.

MR. SAVAGE: I'm just trying to find -- I wasn't clear. So you would file some sort of paper or notice with the various federal and state regulators, is that correct?

MR. REW: Yes.

MR. SAVAGE: Okay. Does the same process apply to the AFC criteria?

MR. REW: Yes, the AFC criteria, we will review the AFC criteria and make suggestions to changes in that process -- the AFC calculation process.

MR. SAVAGE: What is outlined in terms of the role of Entergy and the system impact study would basically apply for the AFC criteria, is that fair?

MR. REW: Yes, well --

MR. CAMET: I think actually even more applies in the context of the -- there is a proposal for an AFC audit, a full audit of the AFC process.

SPEAKER: Okay.

MR. CAMET: More than just a review of the generic criteria. So that's -- and we talked about the

terms of that audit in our filing before FERC to take a look at, you know, the software, the rules, the criteria, and to evaluate the current status of the AFC process, and then also to evaluate whether improvements or other recommendations for changes to that process. So it's -- in the AFC process there is more on the table I think --

MR. SAVAGE: But the more is the -- this audit that's going through --

MR. CAMET: Right.

MR. SAVAGE: I'd say this -- I gather this is supposed to be finished --

MR. REW: Yes, in the AFC process, we're required to make a filing regarding our assessment of the AFC process. We're not regarding the local criteria and -- that Entergy uses -- it's that we would initiate an action if there is something that we disagreed with and we desired Entergy to change and they disagreed with us.

MR. SAVAGE: Will the audit go into the local criteria for the AFC -- that's used to set AFC?

MR. REW: Anything that's part of the AFC process will be reviewed in that audit.

MR. SAVAGE: Okay, that's all I have.

MS. DESPEAUX: Okay, and if there's no more questions on the transmission service protocol, what we were thinking and you guys can tell me we have a kind of a short

presentation under Attachment V just to, I guess, give an example of a congestion hedge and we thought, maybe, we could have Mr. Turner go through that before lunch, take a break for lunch and then come back and have questions.

MR. TURNER: Okay, my name is Ken Turner. I'm with Entergy. And there seemed to be a common theme to some of the questions about the WPP that we received. And one of the things that I was asked to address are the congestion charges and the ways that network customers might hedge those congestion charges. I believe that one of my associates has passed out the presentation, we don't have it up on the screen but hopefully everyone can follow along and this won't take very long. Just to review, first, congestion charges are applied only to a service that affects constrained flow gates, that is, is based on the impact of a transactionally specific constrained flow gate. And those constrained flow gates will be identified in run two of the WPP. Now let me stop real quickly and just remind you that it's in the filing. Run one is the optimization where we optimize the bids that are received and the network resources that the network customer -- the participating network customers bring to the table.

Run two is where we take the results from run one and we fold in the request for point-to-point transmission service subject to re-dispatch and the expected NRIS

resources -- the expected output of the NRIS resources. So it is the constrained flow gates that are identified in run two of the WPP and we look at every flow gate in every hour for the WPP operating week. Now the congestion charges will be applied to point-to-point transactions that are granted through the WPP as part of this run two, to the extent that those transactions are expected to impact constrained flow gates and for which the customer does not own a congestion hedge. And I'll go through the congestion hedges in just a minute. And I've also got some examples that hopefully will make this easier to understand. The charges will also -- the congestion charges also be applied to non-participating network customers, non-participating in the WPP for the use of NRIS resources to the extent those transaction impact constrained flow gates for which the customer does not own a congestion hedge. And then any participating network customer will be subject to congestion charges for their use of non-exempt resources to the extent that they impact constrained flow gates and that they do not have a congestion hedge.

The way the congestion rate is calculated is identified on page two of the presentation. And it is the change in production cost from run one, that I just described, to run two for participating network customers, divided by the sum of the megawatt hours over the

constrained flow gates out of run two in all hours, excluding those flows that are not subject to congestion. Now the -- as I've just explained, the difference in run one and run two is the point-to-point service and the expected use of the NRIS resources by non-participating network customers. The re-dispatch rate is this -- will remain constant through the entire WPP week.

Okay, let's talk a little bit about the congestion hedges. There are two ways that a network customer can hedge their congestion charges. One is through the use of exempt transmission capacity. The other is exempt WPP capacity. The exempt transmission capacity is that capacity associated with transmission upgrades that are directly assigned to the transmission customers, which increase the capacity of the constrained flow gate in the WPP. The exempt transmission capacity is used to ensure that when a customer uses the capacity created by a supplemental upgrade that that customer funded, that customer will not be charged congestion for the use of that capacity. This is something that was required for us to add into our filing of the latest version of the filing in response to the FERC. Exempt WPP capacity is capacity that a participant, a network customer that is participating in the WPP and this is the sum of their expected nets plus the qualified access resources submitted in the WPP and is based

on the peak hour of the WPP operating week, but it will apply for each hour of that week. Now I know those words don't mean a lot and I think the example on the next page will make that -- hopefully will make that a lot clearer.

On the left side of this chart we have a customer that -- a network customer that is bringing in 130 megawatts to the process. They have expected nets of 60 megawatts and then they have bids of an additional 70 megawatts. Their peak load for the WPP week, in this example, is 100 megawatts and what has happened is that the WPP optimization has selected a subset of the nets and a subset of the bids in order to satisfy this customer's peak load for the upcoming week. So the -- over on the left you will see that they brought to the table 30 megawatts more than their expected peak load, plus reserves.

So they -- that customer then -- the exempt transmission capacity that customer would have, the exempt WPP capacity, would be the 60 megawatts of nets that they brought to the table plus the 30 megawatts of excess bids that were brought to the table, which means that they have 90 megawatts of exempt WPP capacity which leaves 10 megawatts that would be subject to congestion charge. So the 90 megawatts in this case would be the WPP -- exempt WPP capacity that would represent a hedge for the participating customers.

The next example on page five is a point-to-point customer that has no congestion hedge. Let's assume that the re-dispatch rate coming out of the WPP calculation of the rate for the week is $5 a megawatt hour and in a particular hour of the week, 30 percent of a 100 megawatt point-to-point reservation is expected to impact a constrained flow gate. What will happen then, you would take the 100 megawatt hours times the 30 percent, so that's 30 megawatt hours in that hour times the $5 congestion charge or that customer would pay a $150. And that -- this calculation is repeated for each hour of the schedule and for each constrained flow gate that's identified in run two of the WPP.

Now, I say that but then there is a -- also a provision that the transmission charge is the higher of the embedded cost rate or the congestion charge that's been calculated by the WPP. So there's no congestion hedge for a point-to-point customer.

The next example is a point-to-point customer that has exempt transmission capacity, that maybe a customer who had funded an upgrade on a constrained flow gate. But the flow gate -- the flows on the flow gate exceed the upgraded capacity. So the -- in essence, the hedge is going to be the capacity of the upgrade on that flow gate. For example, that customer had paid for an upgrade to increase

the constrained flow gate by 25 megawatts. The point-to-point transaction is going to be assessed to congestion charge for that hour based on the 100 megawatt hours times the 30 percent or 30 megawatt hours in that hour. But they paid to upgrade for 25 megawatt hours. So that leaves five megawatt hours that would be subject to the congestion charge or that customer would pay $25. And, again, this calculation is repeated for each hour of the schedule and for each constrained flow-gate that's identified in run two, subject to this last statement of the higher end embedded cost or the total congestion charge for the service.

The next page is an example where the flows on the flow gate are less than the upgraded capacity. Same example, but the customer has paid for an upgrade for 35 megawatts. We have 30 megawatts that are flowing over that constrained flow gate, so naturally that customer would be totally hedged and they would have zero dollars charged to them as congestion charge.

And then the last example is a network customer with the exempt WPP capacity. This refers back to the chart, the 90 megawatts of exempt capacity when we had 10 megawatts of -- subject to a congestion charge. So the peak load in this example, the peak load is 100 megawatts, the customer has been allocated 90 megawatts of exempt capacity as we discussed back on the other chart. So their ratio

then is 10 percent and when you look in Attachment B, you'll see this ratio and it is the peak 100 minus the 90 megawatts of exempt WPP capacity divided by the peak, and that's how the 10 percent comes into play. And if you assume that this customer -- that 30 percent of this customer's flows impact a constrained flow gate, then that customer's -- and that customer's total flows in this hour is 95 megawatt hours. That customer may be subject to congestion charges of three megawatt hours. We calculate that based on 95 times the 30 percent of the flows times the 10 percent for the ratio, the non-exempt capacity ratio, and that actually is 2.85 and we round it up to three.

Now, if the customer also owned exempt transmission capacity for the flow gate, then that exempt transmission capacity will provide a further hedge for the use of that flow gate. But if you assume that the customer does not have exempt transmission capacity for that flow gate, then they're going to be subject to $15 congestion charge. And, again, this calculation is repeated each hour of the schedule and for each constrained flow-gate that's identified in run two of the WPP.

Any questions about this? I know I ran through it fairly quickly.

MR. MOOT: Excuse me. Do you want to break? It's noon. Take a break and let people eat and come back?

MS. DESPEAUX: Yes, that's what I was hoping to do. Thank you, John.

MR. TURNER: I'm sorry, you don't get to ask questions.

MS. DESPEAUX: Yeah, we --- go ahead, eat plenty, come back tired.

(Whereupon, a luncheon recess was taken.)

A F T E R N O O N S E S S I O N

(1:05 p.m.)

MS. DESPEAUX: All right. Yes, I think -- I believe we're ready and we're -- at this point, we're on the WPP or on the congestion hedge, yes. The --

MR. CONWAY: Right. John Conway for the East Texas Electric Cooperatives. And I'd like to ask some questions about the presentation we had just before lunch on the congestion charges and the ways of dealing with them. My first question, very fundamental, does an existing network transmission customer using their existing resources ever pay congestion charges under this scheme?

MR. POWELL: Define for me your existing resources. Are they NRIS resources?

MR. CONWAY: They're -- right now, it doesn't matter, they're existing network or NRIS customers.

MR. POWELL: NRIS customers -- network customers who schedule NRIS resources that are not participating and have no congestion hedge, will be subject to congestion charges.

MR. SCHNITZER: Is this a hypothetical question or an actual in fact question?

MR. CONWAY: Well, it's actual, I mean --

MR. SCHNITZER: That there are only NITS resources currently on the Entergy system. There are no

NRIS resources currently designated by customers.

MR. CONWAY: Okay.

MR. SCHNITZER: And so --

MR. CONWAY: So right now, for example, ETEC then doesn't have any of those -- so -- and assuming ETEC doesn't change any of its resources, it would not be subject to congestion charges.

MR. SCHNITZER: You're correct.

MR. CONWAY: Okay. Now, if it changes, substitutes to a new resource that's not an NRIS resource, would it then become subject to congestion charges?

MR. SCHNITZER: Right. I'm sorry, not in this.

MR. RILEY: If you didn't -- this is Rick Riley with Entergy. If you do not replace that unit with another NITS resource, then the answer would be yes, you would be subject to congestion if you served your load with an NRIS resource.

MR. CONWAY: Okay.

MR. SCHNITZER: Can -- the manner in which that substitution takes place is relevant, to answer your question.

MR. CONWAY: I'm getting to that, okay. Let me try one more on that. We've got a -- if we had a resource that went down, say for planned maintenance. We went to the market to purchase power, not to the WPP but -- and brought

that power in to replace our resource that was down for planned maintenance, would we -- would ETEC be subject to a congestion charge?

MR. SCHNITZER: Did you get transmission through AFCs for that substitute power that you brought in?

MR. CONWAY: Yes.

MR. SCHNITZER: Then no, you would not be charged.

MR. CONWAY: Okay. Would I be charged for it under any other circumstance?

MR. SCHNITZER: Only if -- well, you could be. Let's put it that way.

(Laughter)

MR. CONWAY: Under which circumstance? Under which set of circumstances could ETEC incur congestion charges?

MR. RILEY: I think --

MR. CONWAY: If you were to select an NRIS resource outside of the AFC process, but after the weekly procurement process, then the output from those NRIS resources would be subject to congestion?

MR. RILEY: Okay.

MR. CONWAY: And my last question is assuming that a transmission customer did fund an upgrade, but there would be, because of congestion, no long-term user that

could use that upgrade, in other words, it's only being used by the short-term users, maybe in the WPP market. Could that customer, because now they have to still move their power, be subject to congestion charges?

And alternatively, would that customer receive any of the compensation that's assessed others for congestion charges? Otherwise, they have funded an upgrade, that were used by short-term, used by the WPP and they will not be compensated for their investment.

MR. RILEY: Your scenario is that a customer made a supplemental upgrade, didn't use all of the capacity and that there was not a subsequent customer requesting firm transmission service?

MR. CONWAY: Long-term firm, and that it perhaps couldn't, because that facility going into service might be congested.

MR. RILEY: But -- you would still receive two benefits from that investment.

MR. CONWAY: John, excuse me. John, why don't you come up here and give that detail. It's better now to shift to an engineer from a lawyer.

(Laughter)

MR. CHILES: The example I'm thinking about is if, let's say, you've put in an upgrade that was 95 percent of the -- you know, so your portion of that upgrade, you use

95 percent of that. And so anyone else who wanted to make a long-term upgrade, may make a long-term request for service. If by doing so, their impact on that facility was such that it was going to be overloaded, and so there was really no way, I mean, maybe it was, you know, one month out of the twelve months they requested service, where they could get the long-term service, because there is not sufficient capacity for the next increment on that supplemental upgrade.

That capacity is still going to be used for the other, you know, hours of the year, you know, for short-term service, monthly, daily and weekly. Does the customer that funded that get any compensation for that at all? Or is that just going into the power to be used?

MR. SCHNITZER: Under the proposal, there -- for -- in that hypothetical, there would be no compensation.

MR. CHILES: Okay.

MR. SCHNITZER: Even if that capacity was used for short-term service.

MR. CHILES: So if it's available, the other 8,759 hours is not going to matter. I mean, it -- people are using that, there is no --

MR. RILEY: But keep in mind, you made the original investment perhaps to integrate a new network resource. So, you get to deliver the energy from that

resource to your load congestion free -- to the extent that you're flowing it across that constrained facility, or that facility actually buys.

MR. SCHNITZER: Which we haven't yet asked, but I think it's implicit in your question, why not? And --

SPEAKER: Yeah, that -- I mean, that's -- the elephant in the room is why not.

MR. SCHNITZER: And so let me -- let me give you at least Entergy's reason. As we all know, one of the provisions of FERCs most recent declaratory order was that the ICT as a whole and the pricing as well, is a two-year, initial two-year experiment. And so that's what we're seeking approval for and all we can get approval for in the 205 filing that was made on May 27th.

To provide for financial compensation in the -- such, in the circumstance that you raised, for short-term service, requires an enormous amount of modification to AFC software, to billing and settlement software, and the volume of transactions associated with that is not necessarily the dollar value, but the number of the transactions is greater than for grants to long-term service.

SPEAKER: Okay.

MR. SCHNITZER: And in the context of a two-year experiment, it just doesn't seem practical or feasible.

MR. CHILES: Okay.

MR. SCHNITZER: It's not a philosophical, but --

MR. CHILES: So, technically it's feasible to do, it's just the two-year window that's not --

MR. SCHNITZER: Within a two year window, you might about get the software modifications done by the time the two year period ends.

MR. CHILES: Okay.

MR. SCHNITZER: And so that's -- it's really a very pragmatic set of considerations that have the proposal be the way it is.

MR. CHILES: Okay, thank you.

MS. DESPEAUX: Are there questions on the Attachment B, which is the WPP proposal or any questions on the scenarios that Turner went through before lunch?

SPEAKER: What did you just ask? Which question is this?

MS. DESPEAUX: Attachment B. Jim, would do you like to revise your question?

SPEAKER: No, it's okay.

MS. DESPEAUX: Come onboard.

MR. WANEMAKER: I'm Mark Wanemaker with SUEZ Energy Marketing, and I had a question on the WPP. How will the ICT evaluate the transmission availability in conjunction with the bids from the IPP switch, let's say, is block energy and then how will they evaluate Entergy's own

fleet, who is perhaps providing some ramping or shaping products and you know, essentially that is part of the process as well. So, will they be looking at Entergy's fleet and the IPP bids, or how will that be integrated? That's pretty much what we're looking for.

MR. POWELL: I'm not sure I understood your question. Can you repeat that one more time?

MR. WANEMAKER: Well, in other words, if Entergy's fleet is also being utilized to provide certain shaping products in the WPP, in other words, to shape around the blocks that are coming in, how will the ICT evaluate Entergy's fleet?

MR. POWELL: Well, the -- I'm a little confused, because I don't know the -- I don't -- the model is going to have Entergy's fleet modeled and it will only be the variable cost that you see in that model.

MR. WANEMAKER: Uh-huh.

MR. POWELL: To the extent that a bid has flexibility around that bid, the model is going to make the selection based on some optimization of the bids against Entergy's fleet.

MR. WANEMAKER: Okay.

MR. POWELL: It's not necessarily the -- I mean, you were saying how the ICT was going to evaluate that, but it's really the optimization software that ICT is reviewing

all the inputs into the model and reviewing the model itself, you know, the whole process.

MR. WANEMAKER: And Entergy is running it.

MR. POWELL: That's correct.

MR. WANEMAKER: Okay.

MR. SCHNITZER: But just -- that optimization software is ownership blind when it's deciding, or how you can, at least cost, I mean, get a security constraint commitment to dispatch to meet all the network customers --

MR. WANEMAKER: All right.

MR. SCHNITZER: It's not looking at whether an unit is owned by Entergy or was a bid that Entergy got for a merchant, that's --

MR. WANEMAKER: Okay.

MR. SCHNITZER: That's -- that's not relevant. It's the economics and the bid characteristics relative to the constraints that it's being asked to satisfy in that week.

MR. WANEMAKER: Okay. And it will allocate it based on -- okay.

MR. SCHNITZER: Straight-up economics, not on who owns it.

MR. WANEMAKER: Okay. Thank you.

MS. DESPEAUX: Other questions on the WPP, or the examples that were discussed earlier?

SPEAKER: Well --

MS. DESPEAUX: Gee, a new face from the crowd.

(Laughter)

SPEAKER: Our go-to guy.

MR. SAVAGE: I have a -- couple of questions I have on the model you went through and I guess it started out, is from what I understand that, downright, that what happens is you do a model and if you have -- and if I have upgraded a flow gate, and there is -- and I have -- I'm not using the flow gate totally and it's not impacted, then I can use that as a hedge. Is that sort of -- am I correct on that? Just sort of a base understanding, I only ask questions that show a faulty misunderstanding.

The question I have is and I -- how -- it's not clear to me how you define or how you can determine that things will be impacted by a flow gate. And the reason that I'm asking that, I can understand that in a radial world, we have power going like in a straight line and I've going through -- I'm here. Then there is a -- and I've actually expanded the flow gate right next to me, let's say, by 50 megawatts.

So then I can see it, but when I -- when you start having a loop flow world where other flow gates can impact my flow gate, or I could -- or some power flow can actually be triggered. I'm just trying to get a sense of

how you figure out whether, you know, one specific flow gate that I've upgraded, one has an ability to hedge and how would I know that? See what I'm saying, Rick?

MR. RILEY: Yes. And actually your flow gate would not impact other flow gates. Your transaction or reservation may impact multiple flow gates in addition to the one that you're concerned with. And the way that we would determine if your transaction impacts the congested flow gates in which you upgraded, would be simply through the shift factors.

A gentleman earlier discussed the usefulness of our AFC models that we posted on the OASIS site; one of the uses is the shift factors that we post in the file that's posted every hour. So, you could get that from a shift factor and you could determine how your transaction impacts various flow gates on the system, and that would help you determine what facilities you may wish to upgrade.

MR. SCHNITZER: Rick, if I can amplify on that. Just, this is all in the context of the WPP that we are talking about --

MR. SAVAGE: Right.

MR. SCHNITZER: Which is an optimization software, it's a constrained optimization software.

MR. SAVAGE: Right.

MR. SCHNITZER: So, if there are network elements

whose constraints are binding, that's the definition of congestion for the WPP, which is that somewhere in the network representation, there is an element which is a binding constraint.

MR. SAVAGE: Right.

MR. SCHNITZER: So you know those. The optimization run produces a list every hour of which of the elements were constrained in that hour. So that's the list of constrained flow gates. You know who invested, if anybody did on a supplemental basis in increasing the capacity of any of those constrained flow gates.

MR. SAVAGE: But I guess the -- what I'm trying to think through in my mind, because I haven't thought this thing totally, but since you were doing multiple simultaneous runs --

MR. SCHNITZER: It's one run. It's run two, it's the last run which has everything simultaneously optimized, is all that matters for this purpose.

MR. SAVAGE: Okay, so that simultaneous run would encompass both the Entergy, WPP and let's say, supplier A, B, and C?

MR. SCHNITZER: Yes.

MR. SAVAGE: Because I understand that you're actually doing multiple -- you're not just doing one WPP, you're doing multiple WPPs. So you would have --

MR. SCHNITZER: It's a simultaneous optimization, but separate. One of the linear side-constraints that we would put on the optimization program would be that a customer must have units that bid into his process, serve his load, as opposed to having a joint pool where you would have a bunch of bids into the process, serving all the load in the system. It would be simultaneous but separate. It's a simultaneous optimization. One output and one set of --

MR. SAVAGE: Okay. So, I should be able to tell after -- because one thing I was curious about is when you have -- when simultaneously, you're determining who is using the flow gate and who isn't, it would seem that the -- it's only after the simultaneous, would I be able to say whether I could hedge. Is that a fair statement? Because I won't know until after the run if I can hedge. Am I right?

MR. SCHNITZER: You will know before the run, what flow gates you upgraded.

MR. SAVAGE: Right.

MR. SCHNITZER: And you won't know before the run whether they are binding or not. But you will know that if they are binding, and your shift factor with respect to that flow gate is such that you used less than or equal to the amount that you upgraded, you know you're hedged no matter what, either because it's not binding in the first instance --

MR. SAVAGE: Okay.

MR. SCHNITZER: Or if it was binding, that your shift factor was such relative to your schedule that you were within your allowed limit.

MR. SAVAGE: Okay. I noticed that you -- it seems from the rate, your -- let's say the re-dispatch cost is like a weekly average, but it's a weekly average basically calculated every hour that congestion occurs. Is that a fair -- I think I'm right on that, if I'm not -- what I'm wondering if you've thought of considering having -- finding out what the re-dispatch cost would be, instead of an average on an hourly basis, let's say, on -- instead of like a weekly average, using an average every hour, where you're getting a much more better calculation of what the cost would actually be.

I mean, it seems -- what I'm getting at, I'm trying to think through this myself, because it seems that what you're doing is you're taking a weekly -- we are doing two runs, what sort of their -- the re-dispatch cost rate? And then you are -- when I look at your calculations, I've only gone through this quickly, then you are taking that rate and each hour, you are saying, that rate times the congestion, whoever -- how many of us have congestion, and that's what the cost is. Am I right there? Am I right there?

MR. RILEY: I think you basically have it right,

but keep in mind that the actual cost for re-dispatch was based on the sum of each hour of congestion and the difference between run one and run two.

MR. SAVAGE: Right.

MR. RILEY: So you look at the complete 168-hour period to determine the congestion cost or the incremental cost that the WPP participants incurred in order to accommodate point-to-point service in the second run.

MR. SAVAGE: But it would -- I'm just wondering, you know, since you are, in essence, calculating, or you're using this for an hourly basis of congestion, right? Then --

MR. SCHNITZER: Yeah, the data that -- the data that would be required to calculate an hourly congestion rate exists. There is no question that --

MR. SAVAGE: Okay.

MR. SCHNITZER: Comparison could be done on that basis. I think it would -- again, just to have a single re-dispatch rate as opposed to 168 re-dispatch rates a week, it was proposed as you have described it. But certainly the same data that are used to calculate the one rate could also be used to calculate 168 rates.

MR. SAVAGE: So the rationale was more like just for convenience or for simplicity. I'm trying to get a sense of, you know, just what the thought's going into it,

that's all.

MR. RILEY: It would be simplicity, just the same reason that we were talking about, not providing the financial payment for the short-term service, it's really the same reason here. And it's actually worse than 168 hourly different costs. Depending on the binding constraints that you have on your system, you could have multiple shadow prices. So, depending on your transaction, the flow gates that you impacted and the shadow prices of those flow gates, it could get very complicated in a hurry.

MR. SCHNITZER: But just on the same methodology that is proposed, you know, you could --

MR. SAVAGE: Okay, but --

MR. SCHNITZER: -- you could go from one re-dispatch rate to a 168 re-dispatch rates or to daily re-dispatch rates, I mean, --

MR. SAVAGE: No, I'm just trying to get a sense of how --

MR. SCHNITZER: And you can get anywhere in between, there is no magic to the --

MR. SAVAGE: Okay.

MR. SCHNITZER: -- to the one per week other than, you know.

MR. SAVAGE: The rates, but it would seem that, tell me if I'm wrong, Rick, since you mentioned the

multiple, let's say, the shadow prices. Other than the rate, it would -- and I'm just wondering if you're trying to track congestion, it would perhaps appear to -- what I'm wondering is that if you're trying to -- I think, wouldn't some of those issues come to play anyway, in terms of, you mean you would have a rate. The rate is X over this week, but when -- it would seem from my understanding that one transaction can trip a multiple of congestion points. So even though if -- it would seem -- correct me if I'm wrong, I'm just trying to think this through -- that if I -- one of my transactions can trip, instead of just one flow gate, let's say it actually has a cascading effect. It hits -- it actually, for transmission reasons, it actually triggers two or three flows. Then you would actually -- you would actually go through them, am I right?

MR. RILEY: Yeah, it's not a triggering thing. If there are three binding constraints in a particular hour, and your transaction has a positive shift factor with respect to each of those binding constraints, then, yes, that can happen. That's right.

MR. SAVAGE: Okay. That's helpful, That's all. I'll let someone else ask questions, I don't want to dominate.

MS. DESPEAUX: It seems --

SPEAKER: Maybe back to you.

MS. DESPEAUX: Yeah, I know.

SPEAKER: I mean, go to the end of the line and come back to the front of the line.

(Laughter)

MS. DESPEAUX: Oh wait, John Conway is, you know, going to give you some relief.

MR. CONWAY: Thank you. John Conway for East Texas Electric Coops. I want to follow up on the questions I had asked earlier, to make sure I understand how the tariffs work. We had talked before about the situation of ETEC of having an existing long-term network resource doesn't change it, would not pay congestion.

Now, Attachment U does provide for automatic NRIS status. The generators that have been qualified as long-term NITS network resources will also be deemed to be qualified as an NRIS resource. How does that work? Would that mean that ETEC's resources are automatically --?

MR. SCHNITZER: Is that the old U or the new U, John?

MR. CONWAY: The old -- let's start with the old U.

MR. SCHNITZER: Well, the old U would be superseded onto this filing.

MR. CONWAY: Right. So then ETEC's resources, and it has such resources, ISES (phonetic), others, would

automatically be NRIS resources for ETEC and therefore, ETEC would be subject to congestion charges?

MS. DESPEAUX: Can you give us one second, John?

MR. CONWAY: Sure.

SPEAKER: Yeah.

MS. DESPEAUX: I think that is.

SPEAKER: Yeah.

MR. SCHNITZER: That's a mistake.

MR. CONWAY: Who -- who, is the -- my mistake or --

MR. SCHNITZER: No, our intent in this filing was to, basically, that existing NITS resources that wanted to have NRIS status, would have to make application for such status, that there would be no automatic grant or grant filing.

MR. CONWAY: Thank you.

MR. SCHNITZER: And I -- that's an unintentional omission or error in the filing.

MS. DESPEAUX: I think it is, obviously we didn't --

MR. SCHNITZER: Yeah, I think -- we didn't get into the attachment, but that's -- the intent was to do as you described.

MS. DESPEAUX: Other questions? Paul is ready to come back up.

SPEAKER: I'm sure you gave credit --

MS. DESPEAUX: Yeah, ETEC supports the filing

we'd like to -- with that change.

(Laughter)

MR. SAVAGE: Okay. No, I'm just trying to understand it. I'm not saying I don't support it.

MS. DESPEAUX: Just kidding.

MR. SCHNITZER: It just -- that's right, it's on page eight, footnote six of our cover letter, which -- where we described our intent, which we didn't end up following through on. But we will; we'll fix it.

MR. SAVAGE: Okay. I've just a few more questions on this. One question I have is on -- I'm going through Attachment U, network resource integration service, which I'm gathering, that's with the generator. What is the -- what -- I'm just -- it's not clear to me what benefits the generator gets out of that. Could you expand on that for me?

MR. SCHNITZER: I think that's just compliance with Order 2003, and generators who request and receive that interconnection service have the right to be designated as a network resource by any network customer in the Entergy transmission system without further study.

MR. SAVAGE: Okay, but they are subject to re-dispatch. Is that subject to re-dispatch just for the -- how does that play into the WPP? Is that a separate --?

MR. SCHNITZER: They're subject to re-dispatch,

and the circumstances are, as Ken described in his presentation, if they're designated by a non-participating network customer then their susceptibility to congestion charges depends on that network customer's position with respect to page four, the handout, you know, as to whether they have exempt WPP -- sufficient, exempt WPP -- no, I'm sorry, I'm on a non-participating customer. Yes. Non-participating customers who designate NRIS resources are subject to congestion unless -- and the only hedge available there is if they've funded an upgrade, you know, and as we've just been discussing.

MR. SAVAGE: So if -- I mean it's --

MR. SCHNITZER: That's circumstance one, but go ahead.

MR. SAVAGE: So if a load has designated NRIS as its network resource and that is not -- neither the load is participating, or the generator is participating in WPP. Would that NRIS -- would that be subject to re-dispatch under the WPP?

MR. SCHNITZER: Yes. With the caveat that the generators participate in the WPP through bids to participating customers. So that's -- but -- so, it's the customer --

MR. SAVAGE: Right.

MR. SCHNITZER: So if the customer was not

participating but had designated that network research they would have the right to take output from the resource as they saw fit during the week, but they would be subject to congestion charges.

MR. BERNSTEIN: Well, with one caveat, right? If they designated it through the AFC process --

MR. SCHNITZER: Correct.

MR. BERNSTEIN: Then they would not be subject to congestion.

MR. SCHNITZER: Correct.

MR. BERNSTEIN: It's only if they --

MR. SCHNITZER: So if --

MR. BERNSTEIN: If somebody comes in and say, I'd like to be served by this NRIS resource they don't go through the AFC process. They then schedule that resource during the week they're subject to congestion.

MR. SAVAGE: Okay. So if you're an NRIS resource, then my understanding is you're part of -- you become part of the base plan, don't you, in terms of that customers that -- being a network resource? So how -- my -- and how -- so how does --

SPEAKER: Excuse me, Paul? I can't hear you. Can you see if it's the mic? Sorry. But I can't hear you when you're facing that way, I can't hear you. Thank you.

MR. SAVAGE: Okay, let me go back again. I'm

just trying to put the logical flow in my mind as I go through this. If you're an NRIS customer, and you -- I believe you're part of the base study plan. And if a customer --

MR. SCHNITZER: I've to stop you right there. You've been designated -- an NRIS resource has been designated by a network customer for how long?

MR. SAVAGE: Let's say it's been designated for longer than a year. So it's long-term.

MR. SCHNITZER: Okay.

MR. SAVAGE: With -- so therefore, it has rollover rights in terms of its firmness.

MR. SCHNITZER: Not unless it gets NITS service.

MR. SAVAGE: How do you -- again, this -- may be this clarifying it in my mind. If we have -- if -- let's say, take a SEP process. A generator says, "I want to be an NRIS resource."

MR. SCHNITZER: Yes.

MR. SAVAGE: It then becomes an NRIS resource. Okay?

MR. SCHNITZER: Yes.

MR. SAVAGE: So then it is in the base plan has a -- some level of firmness. We'll figure out how much level it is.

MR. SCHNITZER: Let me go through what the --

MR. SAVAGE: I'm just trying to figure out what the -- there's a transition here between NRIS and -- it's subject to re-dispatch that at least is -- at least for me it's not clear. And then if you're NITS resource you're not subject to re-dispatch.

SPEAKER: Right.

MR. SAVAGE: Am I right on that?

MR. RILEY: That's true. The NITS resources are not subject to congestion charges. NRIS resources, there's a study that goes along with being granted that status. And I believe we've stated, we will maintain your status as an NRIS resource in subsequent years. However, since that service is not associated with load you're not put in the base plan, you're not baked into a transmission power flow model. So there's not a reservation that we can model to reflect the fact that you had NRIS status.

MR. SAVAGE: Okay. Let's assume that the study that I performed, I as performed actually target a -- one or two specific load customers. And you -- and the study comes out, you're an NRIS resource under that study limitation that I gave you.

MR. SCHNITZER: That's not NRIS. You can't -- that request cannot be made.

MR. SAVAGE: Okay. What's the study difference between an NRIS and a NITS study? I'm trying to -- because

--

MR. SCHNITZER: Yeah.

MR. SAVAGE: I'm trying to -- what, I'm trying to get to these questions, and I'm doing it poorly.

MR. SCHNITZER: What's this --

MR. SAVAGE: I'm just trying to figure out is what you have -- you've designated two different levels of network resources, NRIS and NITS. I'm trying to figure out, you know, other than load designation, how do they differ?

MR. SCHNITZER: Do you want to know how the studies differ?

MR. SAVAGE: I want to know how -- because I'm trying to figure out the rationale -- there's a basis, and I'm just trying to figure out what it is.

MR. SCHNITZER: Yes.

MR. SAVAGE: Between NRIS is -- again, it's not in the base plan as Rick said. It's subject to re-dispatch.

MR. SCHNITZER: And it's granted to a generator.

MR. SAVAGE: Right.

MR. SCHNITZER: As opposed to being granted to --

MR. SAVAGE: Right. And I'm what I'm wondering is that --

MR. SCHNITZER: Customer.

MR. SAVAGE: And what I'm wondering in terms of -

- other than the fact that it's -- that a load is not designating it. If -- because, if -- and I'm wondering, if the study is exactly the same.

MR. SCHNITZER: And it's not.

SPEAKER: And it's not.

MR. SAVAGE: Okay. Then we'll -- okay, I -- then we find out they are different study. Now, can somebody explain to me the differences?

SPEAKER: Yes.

MR. SCHNITZER: Yes. Let me start with NITS study.

MR. SAVAGE: Sure.

MR. SCHNITZER: Which is a customer requesting to designate a resource as a NITS network resource.

MR. SAVAGE: Right.

MR. SCHNITZER: And the test that is applied for that in the study is to answer the question, can the output from that new network resource that the customer seeks to have designated be delivered to the requesting sinc --

MR. SAVAGE: Right.

MR. SCHNITZER: On top of all the previously granted firm and network service, meaning not disturbing the preexisting economic dispatch.

MR. SAVAGE: Okay. With that -- let me ask a question and then stop. With that initial assumption level

-- so what I gather that would not include NRIS?

MR. SCHNITZER: I just described the study for a NITS request.

MR. SAVAGE: No, but what I'm asking is, you made a statement in terms of the actual assumption that the study would not hinder the existing firm network. What I'm wondering is, is -- suppose you had prior NRIS studies they would not be part of that, am I correct?

MR. SCHNITZER: Well, they --

MR. SAVAGE: Not part of the assumption?

MR. SCHNITZER: They would not be modeled unless designated. They would not be modeled as flows, but the new NITS resource would -- could also not impede or undermine the previously granted -- the deliverability of previously -- previously granted NRIS status, not designated. So, yes, you can -- if somebody else is an NRIS resources he is not designated, he's not in the load flow model you can't undermine that status either.

MR. SAVAGE: So that -- so the study assumptions would not include facilities that have NRIS status. Because they're not associated with -- they're only generator related firm transmission. Am I right?

MR. BERNSTEIN: Now, let's be clear. Just one quick clarification, NRIS is not transmission service; it's interconnection service.

MR. SCHNITZER: NITS service is a transmission service.

MR. BERNSTEIN: So, you want to be careful.

MR. SAVAGE: So if it is interconnection service I guess I'm -- I need -- could you clarify, there is an indication here, I thought that there was a difference between an energy interconnection, which I consider a minimum interconnection or plug and play analysis where all you're going to do is study, you know, what it takes to integrate a generator facility into, let's say, a substation and maybe do some studies around that that indicate where they thermal short circuit. But it sounds like, from what you just said, that the study analysis of the NRIS is not very different than the energy study. Am I right?

MR. SCHNITZER: No, that's not right.

MR. SAVAGE: Because if it's interconnection study, if it doesn't have transmission.

MR. SCHNITZER: No, that's not right.

MR. SAVAGE: Okay.

MR. SCHNITZER: Do you want to talk about the NRIS test, and then you ask questions about them simultaneously because we did that -- we just did the NITS test. The NRIS test is a two-part test.

MR. SAVAGE: Okay.

MR. SCHNITZER: The first part looks at the --

this is generator initiated now.

MR. SAVAGE: Right.

MR. SCHNITZER: And so you look at the generator who's requesting the study, requesting the status, and you look at all the other previously qualified NITS or NRIS resources that electrically contribute more than a certain shift factor to potentially constrained flow gates.

And you turn all those generators on to P-max, and you turn the new generator on at the level that he's requesting, and you run a load flow study to ask, can you meet the load reliably with whatever dispatch outside of that generator set it takes. But that -- all those units, that's basically saying, you can't shut in a previously granted firm resource. That's part one of the test.

And part two of the test looks at deliverability to load pockets. As to whether this particular generator in any way erodes import capability that's currently required to serve load reliably. That's the NRIS test. It doesn't try to preserve a particular previously granted set of dispatch from resources. It's looking at not having a generation pocket created and not impeding the ability to serve load and load pockets. But otherwise that's not at all similar to the NITS study.

SPEAKER: Why --?

MR. RILEY: And then the ERIS study.

MR. SAVAGE: Can you repeat that again. I just didn't hear you for a second.

MR. RILEY: The energy only resource --

MR. SAVAGE: Right.

MR. RILEY: -- is also different than the NRIS resource that Michael just discussed in that there is not a deliverability test associated with an energy only resource.

MR. SAVAGE: Okay.

MR. RILEY: It's equivalent to a unit at PJN that's just putting energy on the system. There's no deliverability rights; they don't have an I-cap badge, if you will. They can just provide energy to the system. And earlier you asked a question about some of the benefits of being a NRIS unit, as opposed to an ERIS unit. I'm not sure we ever got you an answer.

MR. SAVAGE: No.

MR. RILEY: There's two benefits that come to mind. One is that you could be designated by a network customer without going through the AFC process. Now, again you would be subject to congestion, but regardless of whether AFCs are available or not a network customer could point to you and you could serve their load subject to congestion.

The second benefit that I see in being an NRIS unit is that in the weekly procurement process if your bid

is taken from a customer that would count towards the exempted WPP capacity calculation, as we have it laid out in Attachment V, whereas an ERIS unit would not.

MR. SAVAGE: Let me ask you couple of more questions, if I could just on expanding on that, because it's helpful.

SPEAKER: Sure.

MR. SAVAGE: Isn't it a -- is it a proper statement that when you're doing the NRIS test, the moment it's over, that you have -- at that point in time, you have the same level of -- the study indicates the same level of, let's say, transmission quality that you get with -- for a NITS study?

SPEAKER: No.

MR. SAVAGE: Okay. I guess -- I mean that's sort of my point, because I'm not clear why -- I cannot understand over time why NRIS, let's say, firmness would erode.

SPEAKER: No.

MR. SAVAGE: I think I get that, but I don't understand the difference.

MR. SCHNITZER: Let me try this -- there's 15 seconds and then we can take it off-line.

SPEAKER: Further.

MR. SCHNITZER: In the NITS study, you are

putting in the new resource on top of a preexisting dispatch for all the rest of the transmission system and all of the load.

MR. SAVAGE: Okay.

MR. SCHNITZER: And you're seeking not to disturb that and still meet all the reliability constraints. In the NRIS test, you're constraining on only a subset of the generators. Those that are electrically proximate to the new generator under study and the dispatch of all the rest can be whatever it needs to be to satisfy load and security constraints. You're not freezing the whole rest of the dispatch. And that's the key difference.

MR. SAVAGE: Okay. So it's a system-wide versus regional analysis. Is that right?

MR. SCHNITZER: No. It's -- one is seeking to protect a particular economic dispatch and one is seeking to say, "I can serve load reliably and I -- even if it involves re-dispatch of a whole bunch of other generators outside of the electrically proximate set." Which is why they're therefore subject to congestion charges because the NRIS status was premised on the ability to re-dispatch a set of generator units to meet reliability constraints.

MR. SAVAGE: Okay. Please move on to think about that.

MS. DESPEAUX: Yeah, I think --

SPEAKER: Yes.

MS. DESPEAUX: -- because that really relates to Order 2003, and so maybe if there's some additional questions, you guys can do a sidebar at a break or something.

MR. SAVAGE: Yeah, that's fair. That's fair. I'm going to plead the other point.

MS. DESPEAUX: Yeah.

MR. SAVAGE: I just have a few more quick questions on something else?

MS. DESPEAUX: Okay.

MR. SAVAGE: On the WPP. You're re-dispatching, from my understanding is, network -- you're re-dispatching network resources. Are the network resources you're re-dispatching, let's say -- because you have this -- an Entergy WPP, there's Municipal A, Municipal B; separate, but simultaneous WPP. Which resources -- if you -- let's take the -- are the -- only the Entergy resources re-dispatched for the Entergy WPP so the -- or is all network resources subject to that -- I'm trying to understand how this all works?

SPEAKER: It's all of them. It's a simultaneous optimization of the whole.

MR. SAVAGE: Okay, but you read only facilities that actually designate -- let's say, other load service

that designate -- I will trade in my -- I will designate this resource as being participating in the WPP that gets re-dispatched.

SPEAKER: It's the participating network customers who bring and set up bids and --

MR. SAVAGE: Okay.

SPEAKER: -- network resources to the table.

MR. SCHNITZER: And just recall the caveat that Rick mentioned a few minutes ago, now several minutes ago, that all the units are subject to being able to be re-dispatched, as Ken just said. But there will be the side constraint that in every hour, the generation for each participating customer from the resources they brought has to equal their load in each hour. So that's the only constraint on the -- this -- the optimization.

MR. SAVAGE: But the people who're participating in the re-dispatch for WPP have to actually be listed as resources eligible for re-dispatch. You're not -- or -- am I right there? Because -- I mean, it's my understanding that Entergy has rights to re-dispatch on this tariff for other reasons.

MR. SCHNITZER: I'm not sure I understand what that question's getting at.

SPEAKER: I don't understand --

MR. RILEY: If you're asking whether a generator

must indicate when it places a bid into the WPP, if it will allow itself to be re-dispatched --

MR. SAVAGE: Right.

MR. RILEY: -- from one run to the next, the answer is no. I mean, once you submit a bid you are subject to re-dispatch.

MR. SAVAGE: Okay, so it's only among participants of the WPP that will be dispatched.

MR. RILEY: Yeah.

MR. SAVAGE: Okay.

MR. RILEY: Right, because this is -- all the re-dispatch we are talking about in this context is re-dispatched for the purpose of granting service --

MR. SAVAGE: Okay.

MR. RILEY: -- on an ex ante basis. We're not talking about real-time here.

MR. SAVAGE: No, that's helpful. The other question, in WPP, what happens if you don't have congestion in real-time? From what I gather, you're running a production model and you -- and that is, let's say, based on the production model your congestion is going to -- it's going to -- we theorize it's going to curve, but let's say in real-time it doesn't happen for whatever reasons, is --?

MR. POWELL: In order to have a congestion charge, you've got to have a flow gate that has flow on it

that is congestion.

MR. SAVAGE: But the -- is the measurement -- my understanding is the measurement of the flow is -- is that based on the real-time data, or is that based on what I would consider, production flow that we think you're going to have congestion at certain points?

MR. SCHNITZER: The list of potential -- the list of binding constraints in each hour and the shift factors for generators with respect to those constraints are ex ante. For NRIS generation and non-exempt capacity, the megawatt hours are actual to which the shift factors are applied and the constraints are applied.

MR. SAVAGE: Could you just say that again?

MR. SCHNITZER: I can try. Yeah, right. For the list in each hour of the binding elements --

MR. SAVAGE: Right.

MR. SCHNITZER: -- and the shift factors of non-exempt generators with respect to those elements, those come out of the WPP run --

MR. SAVAGE: Right.

MR. SCHNITZER: -- before the week, so they're ex ante. They're before the fact in that sense. So that's most of what you need to calculate the congestion charge. The last piece you need is a megawatt hours of output ---

MR. SAVAGE: Which is the real-time output --

MR. SCHNITZER: -- which is -- that is actual for NRIS generation or other non-exempt generation. For point-to-point, it's the reservation, so it doesn't matter how much is scheduled on the reservation, but for point-to-point service it's the reservation amount, which is also non-ex ante.

MR. SAVAGE: Okay, that's fine. That's all I have. Thanks.

MS. DESPEAUX: Any more questions on Attachment V? If not we can move on -- oh --

MR. RILEY: I have one clarification. I was going to --

MS. DESPEAUX: Yeah, but look my other side.

MR. RILEY: Okay. When I was discussing the benefits of the NRIS resources, the second benefit I mentioned rather than the NRIS resources applying to the excess capacity, I was -- I meant to say the hold harmless provision is where there's a distinction between the NRIS unit as opposed to an ERIS unit. I just wanted to clear that up.

MR. SAVAGE: Could you -- I don't know -- maybe because I'm tired, I'm just --

MR. BERNSTEIN: We're confident it's an issue weighing on everybody's mind.

(Laughter)

MR. BERNSTEIN: Which was -- which resources exactly count towards the concept of the exempt WPP capacity?

MR. SAVAGE: Right.

MR. BERNSTEIN: I think earlier we said NRIS resources do, but ERIS resources don't.

MR. SAVAGE: Oh, that's your point.

MR. BERNSTEIN: That's -- the ERIS resources also will count toward the exempt WPP capacity when you do that calculation. So any bid you bring into the WPP --

MR. SAVAGE: Right. That's what I figured.

MR. BERNSTEIN: -- counts towards 8.44.

MR. SAVAGE: Okay.

MS. DESPEAUX: Okay, how about Attachment T? I think which is the pricing proposal and I'm not sure -- okay, we might have a quick example here to start this.

MR. SCHNITZER: Okay. Well, Attachment T has got a bunch of stuff in it. Most of which is well known, if not well loved by all of you. And so we're happy to take questions, obviously, on any portions of that. But there are a couple of pieces that may be less well-known, it's our hope that they'll be better loved, but they're not well-known. So I just thought I would spend a few minutes talking about one of those and then, you know, open it up to

questions. And I think some of the questions that we've received asked for some examples.

For those of you who are students of Attachment T, you will have, you know, seen in, I believe its Section Four, where we have this financial compensation for long-term service and that was alluded to, I think, in some of E-tech's questions earlier with respect to the WPP, the right to financial compensation. So I thought we might just march through that a little bit, and give an example or two just to make sure that that's at least understood what's being proposed and then we can go for questions.

Okay, the tariff provisions, I think with respect to this are summarized on the screen. And it's basically I think is as E-tech's questions, you know, sort of summarized earlier, is that and -- I can't -- both, yes, thank you -- that customers who fund supplemental upgrades are eligible for compensation if that capacity is later used to grant long-term service to another customer, and we're talking about the long-term versus short-term piece earlier today.

Long-term service is the proposal. That situation can arise in a couple of contexts. The first is if the original upgrade was lumpy, which is to say that the capacity of a particular network element that was created was more than was needed for the service requested, and so there was extra around that could be the basis for

subsequent service.

And it can also arise if the original service is relinquished by the original funding party. And Attachment T covers both of those circumstances.

The compensation is determined on a one-time basis at the time of the subsequent service request, i.e. the follow-on service. And if that -- and of course and we have different types of service and so it's -- nothing is as simple as we would like. So if that subsequent request is either for NRIS or NITS service, the payment to the original customer through Entergy will be made on a lump sum basis. It will be dollars.

But if the subsequent request is for long-term point-to-point service, then the payment to Entergy and to the -- therefore to the original customer, to whom the financial compensation is due, will be levelized over the term of the point-to-point service, because that's how people pay for point-to-point service. They pay for it on an annual basis.

And the original customer no longer owns that portion of the supplemental upgrade, once they've received this financial compensation that shows up in the account of the person -- the new person, if you will. So that's what the tariff says, and an example or two might actually make those words mean something a little bit more. So that's what

we do here.

Okay, so the first example basically is a network customer who gets a new network resource qualified, generator B in this example, under the NITS status. So that's what gives rise to this, and they have to fund an upgrade to get that NITS service from generator B. And in this example, they upgrade to this particular network element flow gate Y, 20 megawatts of capacity on that flow gate, only 10 of which is used in the granting of the NITS status for generator B. And the cost of that upgrade is $2 million.

Okay, so that's just a -- those are some of the assumptions. So that's the original investment and that's put in place. Under this example, subsequently, in the same year there's a request for long-term point-to-point service from customer C that's granted. And the SIS study for that point-to-point indicates that customer C is using four megawatts of that new capacity in flow gate Y that this other customer just created.

And that no other -- and this again, this is to keep it simpler -- no other upgrades are required to grant that point-to-point service. So -- but for the upgrade to flow gate Y, this particular point-to-point service could not have been granted, they needed those four megawatts of capacity on flow gate Y.

So what happens? Well, first is C has to decide whether they confirm the service or not. But if they do, financial compensation is owed to B, as calculated in the parenthesis there. The original cost, $2 million, divided by the megawatts of capacity created in that flow gate, which is 20. So $2 million divided by 20 is this unit rate, if you will, for this particular upgrade, times the four megawatts that customer C is using for point-to-point. So that math is $400,000.

And for those of you who want to do it a little bit simpler, four megawatts is one-fifth of the 20 megawatts of capacity that this upgrade created, and one-fifth of $2 million is $400, 000. So that's basically -- it's just a pro-rata share of the upgrade cost, based on how much of the upgrade they use.

So customer C now, because they're a point-to-point customer is going to pay, under this hypothetical, the higher of two things: the $400,000, because there were no other supplemental upgrades required. This is their share of this one is the half of the higher-of test. That has to be levelized over the term of service to get to an annual charge, or the long-term point-to-point rate.

So that's -- that C gets offered service on that basis: the higher-of, the levelized $400,000, or the otherwise applicable long-term point-to-point rate. If C

confirms the service, no matter which rate C pays, B gets the $400,000 on a levelized basis over the term of C's service.

At the end of the day, customer B now still "owns" 16 megawatts in this flow gate, and customer C now "owns" the remaining four megawatts of the flow gate. Okay? So that's a first example. Pardon?

SPEAKER: That's the only example.

MR. SCHNITZER: That's the only example. Oh good. Excellent.

(Laughter)

MR. SCHNITZER: That's right. That's right. Perfect. No, that's right. We have more congestion hedge examples, but we'll stick with this one. So that's financial compensation and there are various combinations of point-to-point, NRIS, NITS, but that's basically the math that's intended here. And it's a new property right, if you will, that people who fund supplemental upgrades have, based on the feedback we have gotten from you folks as well as from the FERC.

So that's -- before I open it up to questions, that's that piece of Attachment T. There is another piece that there have been some questions on, that maybe I'll wait to see what level of interest we have and how best to handle it. But there is a much -- a protocol for the analysis and

classification of prior incurred interconnection related costs, which is described in much more specificity in Attachment T.

And I'm happy to either describe or answer questions on that one, but those are the two pieces of newer material in Attachment T. As I say, the remainder of it is familiar to you, if not to your satisfaction, it's familiar to you. So without further elaboration --

MR. RITTS: Will C -- ?

MS. DESPEAUX: Fred Ritts for ETEC (phonetic).

MR. SCHNITZER: Yes. If C wants network service, and if it was otherwise the same, Fred, that -- but for using four megawatts, this upgrade that network service couldn't have been granted, then, basically, C would be offered the network service. They would be offered to it for $400,000 as a one time payment, and they could accept or reject the service on that basis. And if they accepted the service, the $400,000 would come into Entergy and go to customer B. Okay? Yes, sir?

MR. RANDLE: Bill Randle of the AEP. Could you go back a slide?

MR. SCHNITZER: Yes.

MR. RANDLE: You used the term "subsequent request." Is there a time limit on what "subsequent" means?

MR. SCHNITZER: There is not. The only time

limit on these property rights of financial compensation is, effectively, the useful life of the upgraded facility. So if, at some point in time that facility no longer exists, then there is no longer any right to compensation. But so long as it exists, there is no statute of limitations on this particular right. Other questions?

MR. HAGAN: Dan Hagan for Occidental. I have some questions with regard to the treatment of the previously incurred interconnection costs, in particular, the credits. And the cover letter states that Entergy will not seek to reclassify the previously -- cost previously credited to a customer, and the issue that I'd like to have clarified is the previous -- the determination of the previously credited to the customer. And the inner working of Section 5.1 and 5.2, in that, is it the ICT -- will the ICT be determining which facilities have been previously credited back? And if that's the case, how is it different than Entergy currently determines which facilities have been credited back?

MR. SCHNITZER: I think the answer to the question, subject to my being corrected by folks here on the panel, is to the first part of the question, is that it's not the ICT who is determining the credit balance in each facility as of the effected date of these studies. That as part of the tariff, Entergy has proposed the protocol by

which it's going to make those calculations and maintain those calculations as to -- and just so everyone's clear, your question arises in the context of a particular customer who has funded investments in different categories, if you will.

MR. HAGAN: Uh-huh.

MR. SCHNITZER: And it's been credited a certain amount and to which of those investments do the credits deemed to have been allocated. And I believe there's a proposal in the filing as to how that's to take place, and Entergy will implement that.

MR. HAGAN: If I could just point you directly to some sections. In Section 5.1, it's the statement that the ICT will make the one time analysis, that we talked about, for purposes of determining the cost, and that excluded from that cost will be the facilities which have been fully credited back to the generator.

And then in 5.2, it states that the ICT shall determine the classification of a particular facility as direct interconnection, required upgrade, or optional upgrade. And, what is the interplay between the ICT's subsequent reclassification?

MR. SCHNITZER: Yeah, I'm sorry. There is really none intended there. The first one basically says, the ICT is only going to look at stuff which has uncredited

balances. There is no point in looking at stuff, which has, you know, which has been fully credited, because there's no proposal to recapture amounts previously credited. So the first thing is, let's just look at the universe of investments to be analyzed by the ICT, as only those for which there are uncredited balances.

5.2 basically says, because the test -- the protocol for making the determination of whether it's base plan or supplemental, the test sort of depends upon some buckets of, is this a direct interconnection, is it a short circuit, or whatever. First step you have to do is you have to sort of take that universe of projects, which will still have uncredited amounts, and put them into the buckets so you know which tests to apply to which.

Entergy has done that. I mean, Entergy keeps the books according to their classification. The ICT will start with that. I suppose, if they disagree with any of those -- that this project shouldn't have been classified as direct interconnection, it's really something else -- they can do that.

But the starting point is the way that Entergy has classified those investments for purposes of which of the tests in this protocol will be applied to them.

MR. HAGAN: So if I understand it correctly, the starting point, the base line is that the ICT will be

provided with a list, if you will, which will be --- will constitute which facilities have been credited back based upon Entergy's current analysis and --

MR. SCHNITZER: Well, based on the accounting pursuant to the protocol in the tariff. That's just math. That says, "Here was the credit balances and here is the amounts credited. And here is how I applied them customer by customer, project by project. Here are the ones that still have positive balances on credit remaining. Here is how I have -- Entergy has classified those investments as direct interconnection, et cetera. And here are the associated studies done at the time, you know, which were --- the facility studies and agreements that were signed, you know, basically pursuant to which those were funded and built." And now you, ICT, go do an analysis of these projects and determine which you would determine to be base plan versus supplemental.

MR. HAGAN: And not to belabor a point, but the concern that I'm trying to address is, for instance, where an upgrade has been under the current system credited, fully credited back, would the ICT be looking at that upgrade again to reassess whether in the first place it was correctly identified as an optional upgrade?

MR. SCHNITZER: As drafted, I don't believe there's contemplated any need for the ICT to look at

anything which is fully credited, because there's no relief or no change sought in terms of -- no credits left to determine whether they need to be eliminated or not. So I -- what am I missing? I'm sorry?

MR. HAGAN: Just the way that it's drafted, that's not clear.

MR. SCHNITZER: No that --

MR. HAGAN: 5.2.

MR. SCHNITZER: 5.2 only applies to stuff that survives 5.1, uncredited.

MR. HAGAN: So in 5.1, a clarification would be the determination as to what has already been credited is done today, to be -- according to today's enters, not pursuant to this proposed reclassification?

MR. RILEY: Yeah, we keep track of -- and as it turns out, our customers keep track of, how many credits they have left, and we do too.

MR. HAGAN: Well --

MR. RILEY: And so that isn't in dispute.

MR. HAGAN: Well, the issue becomes that -- that's true, it's dollar for dollar, but is there a direct allocation provided to the customer, that this credit amount is allocated to this particular upgrade.

And I understand that Entergy does that analysis internally and provides it. And that goes to the issue in

5.2 that talks about how the --- for purposes that I'll read here, "Where an interconnection customer funded multiple upgrades for purposes of determining whether a facility has been fully credited, credits received will be attributed first to optionals, then to requires, and then to directs." And first, is that how it's currently done today? Or -- and if it -- if you can answer that question first?

MS. DESPEAUX: Yes, it's my understanding that is how it's done today.

MR. HAGAN: Okay. And for purposes of determining what's still in the bucket, if you will, what has not been credited back. The ICT would be starting out with what has been calculated pursuant to that methodology?

MS. DESPEAUX: Yes.

MR. HAGAN: Okay. That's all I have right now. Thanks.

MR. JAGTIANI: Excuse me. Sanjeev Jagtiani with FERC. Can we get that list of facilities with credits still outstanding filed in this docket?

MS. DESPEAUX: I'm sorry --?

MR. JAGTIANI: Can we get that universe of facilities with credits still outstanding, where the ICT would be looking at the prior ---

MS. DESPEAUX: And that will --- I mean, that will be constantly changing, because it -- as each month the

service is used, but ---

MR. JAGTIANI: With each month, right.

MS. DESPEAUX: -- yes, we can. We haven't looked at it.

MR. JAGTIANI: But can we get the current -- as of now, as of this month, can we get that response in the docket?

MS. DESPEAUX: Yeah, and what we might -- what I would want to look at is whether there were any confidentiality. I don't have any problem providing it to FERC, obviously, but --

MR. JAGTIANI: Yeah.

MS. DESPEAUX: We'd need to check on confidentiality, in terms of whose credits and --

MR. JAGTIANI: Okay. And the reason for the date, January 1, 1997, does that coincide with the fact that -- are the -- is that the oldest facility with credits still remaining or --?

SPEAKER: That's right. In January of 1997, that's when it started, right?

MS. DESPEAUX: Yeah, that would've -- January 1, '97 is really when we first started seeing these facilities that generators first started locating on our system.

MR. WOLFINGER: Rick Wolfinger with Constellation. Can we go back to the next slide where we

have the example? It's in the example where customer B funds 20 megawatts, only uses 10, and it's not contemplated that that other 10 is going to be used for base rate load growth, which would've been -- obviously, then we wouldn't have to pay for the 20.

But then say a customer comes in of Entergy's for a five megawatt load, a new chemical plant, and all of a sudden that flow gate is going to be used for five megawatts of load serving.

Now, that flow gate has only got five megawatts of capacity left. Is there any way that B gets --- customer B gets compensated for the fact that unanticipated load growth took away half of their -- in essence, capacity, that they could've gotten compensated for?

MR. SCHNITZER: I want to have the chance to reconsider that. But on first reflection, I don't believe so. But just to clarify what was implicit in your hypothetical -- if at the time this upgrade was initially identified as being needed for customer B's request, if at that time that flow gate had showed up as needing to be upgraded to serve load where the construction had to be initiated within the next three years, then there would've been a, you know, accrediting and sharing at that time. So on a plan basis, if you will, there would have been credit built into the original funding for the load growth. And

I'm not -- but I'm not aware that there would be any compensation under the proposal in the circumstance of unexpected load growth that you described.

MR. WOLFINGER: Then let me follow up on an earlier question where somebody said, "How long does this last?" And, "It lasts for the life of the asset." Let say it's a transformer; it's got a 30 year life. You know, 30 years earlier load growth wasn't expected for the next three years to need that upgrade, but over 10 or 15 years, load has picked up, and now there is no flow gate capacity, yet he put a -- you know, that customer B put a 30 year asset in, but it's now being picked up by the general rate base, in other words, because load is -- you're just out of luck, right?

MR. SCHNITZER: Yeah, again, depending on how that happens. If because of this load growth, the network customer needed to qualify new network resources and in the designation are granted those new network resources, that flow gate you showed up, then it would be compensated. But if this --- I suppose, if this particular upgrade is so located on the load side as opposed to the generation side, that it doesn't show up in a network resource designation, I think your observation would be correct.

MR. WOLFINGER: Okay, thank you.

MR. RILEY: I might want to point out too that in

PJM, for example, if you have unanticipated loop flows that would degrade the set of simultaneously feasible financial transmission rights, you have the same issue. It's something you wouldn't plan for, and the set of hedges that you had available at one point in time, could decrease over time as well.

MR. ADAMS: Brian Adams from NRG, instead of Paul Savage from NRG.

(Laughter)

MR. EVANS: A question I'm trying to -- I want to understand what happens in the example with the four megawatts. If for instance the long-term transmission contract with customer C was for a two year time frame. In year three, what happens to those four megawatts?

MR. SCHNITZER: If the --- just to make sure everybody heard that -- if in the hypothetical here that the point-to-point service was for two years, what happens in year three? And I think subject to check here, but I think that as the last bullet shows, the customer C now has in their account the right to financial compensation for those four megawatts.

MR. EVANS: Okay.

MR. SCHNITZER: So if in year three, there are subsequent requests for service that use, some of the now 10 megawatts, you know, of extra capacity in flow gate Y, you

know, the four owned by C, and the six owned by B -- that there would be pro-rata allocation of financial compensation to B and C from the subsequent request for long-term service that use that. So C has a surviving interest in financial compensation beyond the term of the service, I believe.

MR. EVANS: Okay.

MR. SCHNITZER: And likewise to the gentleman who asked me for the network resource analog -- if the network service was granted and then surrendered, there would still be the right to financial compensation for that flow gate use, even if they had relinquished the network resource status, which had been the basis of their original fund -- payment for that right.

(Laughter)

MR. SAVAGE: Again, we don't get a chance to ask questions like this, so I might as well take full advantage of it. One of the questions I notice in -- this is in your Section T, 4.3.1.1. It's on, originally, page 685.

It says, "The right to compensation is limited to capacity created by supplementary upgrade as represented in the base case model." I mean, the concern I have and maybe I just misunderstood the dialog we had about 20 --- the last talk we had on -- I don't know how long -- 10 minutes, five minutes ago, I guess, when we went into the NRIS's not being in the base case.

I'm just trying to get a sense of what is -- can you expand what that -- what capacity upgrades would not be in the base case to expand the system -- will not beget this? I mean, obviously, it's a limiting factor.

MR. SCHNITZER: Yes.

MR. SAVAGE: How does it limit you?

MR. SCHNITZER: Well, I'll -- I'd take maybe a stab at it and then Bruce can feel free to contradict or amplify as he see fits, but all we're basically saying here is that when an SIS is done, and a fix is designed or engineered, at that time, as part and parcel of that process there's a judgment about how much capacity in that network element was created, because you're going to modify the basic case model, you're going to say, "Oh, that element doesn't have a capacity of 18. It has a capacity of 25."

And so whatever -- that's when the determination of the right -- that the quantity of financial compensation in megawatts to which you might be entitled is right there at the same SIS process where you identified what the upgrade was going to be. You modeled it in the SIS, and in a load flow model what you had to do is you had to change the capacity of some element.

And whatever that was in the SIS, which is the ICT study, whatever that much when you upgraded that element and Bruce changed the capacity of that element from 20 to 30

-- 10 under 4.3.1.1; 10 megawatts, that's how we know that you're entitled to 10 megawatts of financial compensation, because in the SIS, --

MR. SAVAGE: Okay.

MR. SCHNITZER: -- he changed the capacity of that element by 10 megawatts. That's what's intended.

SPEAKER: Is that correct?

MR. SCHNITZER: Well, Bruce I don't know if that squares with how you would --

MR. REW: Yes, I think the intent of this paragraph is strictly to define how you get that 10 megawatts. It's a -- this is a 30 minus a 20 to get to 10.

MR. SAVAGE: Okay. So all upgrades are going to be in the base case, right?

MR. SCHNITZER: They're in the model.

MR. REW: They're in the model.

MR. SCHNITZER: When you change the network, you put that in the model.

MR. SAVAGE: Right, but it's actually -- the way I -- going through this morning, it seemed that you start out with a model and you go to the construction plan and then you go to the base plan. Assuming that as you go through this scenario, one way you want to keep track of is --- I mean, if you're looking at this I'm saying -- I would assume that all upgrades, that increased transfer capability

of any element is tagged, and that's maintained throughout the course. Is that fair?

MR. SCHNITZER: Yes, and this is the process, right?

MR. REW: Yeah, we'll look at the facilities and evaluate those facilities that are upgraded through this process and those are the ones that are eligible.

MR. SAVAGE: Okay. And so do you --- let's assume you have an NRIS customer, which again is a generation-only study as we've discussed and they have to upgrade a facility by 20 megawatts. But they don't have any transmission. So am I right that the base plan and the model construction, as we go through that sequence, would reference that that upgrade is associated with that NRIS study?

So the ability to have, as Mike put in, ownership of that facility is not required transmission. It just requires that you pay the upgrades. Is that right?

MR. REW: Uh-huh.

MR. SCHNITZER: Correct. And Paul, just to underscore that, the same is true for the category that Bruce described this morning of so-called "economic upgrades," which is a category of supplemental upgrades not associated with the request for interconnection service or transmission service. Same answer.

MR. SAVAGE: Okay, if -- that leads me to a couple of other questions. One question I have is that, if you're cataloging all upgrades that increase transfer capability, and it's not associated with actual transmission usage, why don't you include short-term upgrades?

Unless -- I mean, most short-termers aren't going to pay for system upgrades probably. But it would seem logical that since all you're doing is cataloging, oh -- Mr. Smith, he pointed at dollars, and he increased to five megawatts; this guy did three megawatts; this guy did 100 megawatts. What's the rationale for not having it?

MR. SCHNITZER: For not compensating those people for short-term service or --?

MR. SAVAGE: Yeah, because it -- from what I'm gathering, well, not compensating them and I'm assuming you're still cataloging that this upgrade's been made.

MR. SCHNITZER: Yeah, I mean, most if not all upgrades on the system are going to be pursuant to long-term service.

MR. SAVAGE: Right.

MR. SCHNITZER: I'm not aware of any upgrades that are pursuant to a short-term service request.

MR. SAVAGE: Right, but if that's case, then you shouldn't have a prohibition. What you could say is -- you don't have to have prohibition but -- just -- the nature of

short-term upgrades. Generally, you don't do a study so generally you don't get to that level. So I'm just sort of wondering if there was -- Do you see what I'm saying?

MR. RILEY: I see what you're saying. In addition to the complexity of keeping track of the trading --

MR. SCHNITZER: I think you're asking -- I mean, if there ever was an upgrade associated with granting of short-term service, we'd be happy to count it, but I don't believe that there's ever going to be one with those.

MR. REW: Yeah, I don't see any reason why we can't have that.

MR. SAVAGE: No, I was just wondering -- I agree with you, but I just want to -- maybe I misread, but I thought there was a -- there was, in your papers, I thought you were saying that they would not count short-term upgrades. I agree, most times it's not going to happen. I'm just sort of wondering that in the odd chance that you do have it, what was the rationale for not -- other than just another --- because, generally speaking, it's going to be the rare instance that we do it. I think it would be --

MR. SCHNITZER: Yeah, we could --

MR. REW: Yeah, I think we could do it.

MR. RILEY: Yeah, I think what we said was we wouldn't credit short-term service against --

MR. SAVAGE: Okay.

MR. SCHNITZER: Yeah, but the question is who gets -- who has the right to financial compensation and who pays financial compensation and --

MR. SAVAGE: Right.

MR. SCHNITZER: -- what we're saying is the right to financial compensation accrues to anybody who upgrades the network.

MR. SAVAGE: Okay.

MR. SCHNITZER: The obligation to pay financial compensation and therefore, to -- for someone to be paid financial compensation, arises out of subsequently granted, long-term service requests.

MR. RILEY: And to transfer this right from network customer B to this additional customer C, they have to fully pay for their share of the, what is it -- four megawatts? And for daily firm service, I don't know if they'd want to pay the $2 million --

MR. SAVAGE: Right.

MR. RILEY: -- simply to do the --.

MR. SAVAGE: No, I'm not -- from a practical sense I agree with you. It's just when -- I must have misread it when I thought there was a prohibition.

MR. SCHNITZER: Okay. I admit there is not. Not for getting the right to be paid.

MR. SAVAGE: Okay, that's fine. I'm seeing customer C pays the higher of the -- their share of $400,000, I guess, four or the higher of the -- the point-to-point rate.

MR. SCHNITZER: $400,000 is their share. There's no -- it just levelized over the term of the service.

MR. SAVAGE: But -- okay. But I thought you mentioned a higher-of test for this --

MR. SCHNITZER: Yes, and you -- you said their share of $400,000 --

MR. SAVAGE: No, no I --

MR. SCHNITZER: Now, higher-of test is $400,000 versus --

MR. SAVAGE: Or the higher-of --

MR. SCHNITZER: The point-to-point rate.

MR. SAVAGE: Right?

MR. SCHNITZER: The higher of $400,000 or the point-to-point rate.

MR. SAVAGE: Okay. I'm assuming that the -- let's -- if you use the higher-of standard, 400 goes to customer B, and then the higher-of -- the delta would go to Entergy.

MR. SCHNITZER: Well, it would be credited back to Entergy's transmission customers, more precisely.

MR. SAVAGE: Okay. Because I was wondering if

you -- so customer C would be paying the higher-of -- Will they be pay the highering-of $400,000, or the long-term point-to-point rate and the long-term point-to-point rate?

MR. SCHNITZER: No. That's why it's the "higher-of," not "and."

MR. SAVAGE: I recognize that. I was just trying to get a -- because I believed in your -- some of your proposals get into charging the embedded, and the incremental rate. And I just wanted to see if that applied here, as well.

MR. SCHNITZER: No, I think all of our proposals, basically, accord with the higher-of principles. And in point-to-point, the higher of principle is satisfied just very simply by this test.

MR. SAVAGE: Okay. Okay. Oh so it's only -- but -- the network customers, I believe, you have a provision? I just want to sure you understand --

MR. SCHNITZER: Yeah, network customers, there's no incremental revenue associated with the service. Here there is incremental revenue and so, we count the incremental revenue of the point-to-point versus the incremental revenue if they paid the $400,000, and you pick the higher-of those two.

MR. SAVAGE: Okay, that's all I have.

MR. JAGTIANI: Hi. Can we touch back on the

section on the treatment of previously incurred interconnection costs? This is a -- at this point in time, it's a two year experiment. Assuming that it doesn't go forward, beyond the two years. Once the ICT makes the determination on the proper allocation of these upgrades, what happens going forward after the two years? The answer actually is in your pleading, but does that continue on beyond the two years, or does it terminate at the end of two years?

MR. SCHNITZER: Well, the ICT makes that determination and I think --

MR. JAGTIANI: Well, let me give you a concrete -- let's say a concrete example. Let's say that there is a generator that's on the stream of credits for 10 years going forward. Right?

MR. SCHNITZER: Well, they own an un-credited balance, they don't -- there's no -- what they have -- it's an un-credited balance. There's no stream or anything like that. It's an un-credited balance.

MR. JAGTIANI: But -- okay. So that -- let's just assume that that un-credited balance would not get depleted within two years, that it actually would take longer than two years to deplete it. Under this scenario, what would happen to that uncredited balance?

MR. SCHNITZER: Section 3.3 of Attachment T

governs in that instance.

MR. JAGTIANI: So what would happen to the credits?

MR. SCHNITZER: In the circumstance where a customer -- and just to put some hypotheticals -- where a customer had funded $5 million worth of -- had a $5 million un-credited balance at the time that the ICT did this analysis, concluded that the investment related to that five -- the upgrade relating to that $5 million was properly classified as supplemental, that Entergy would then make a filing to modify the relative interconnection agreement. And that Entergy's filing would call for extinguishing those $5 million in credits in return for the property rights that have been earlier described. And so long as that was accomplished before the end of the experiment, that would be --

MR. JAGTIANI: That would hold.

MR. SCHNITZER: -- that would survive.

MR. MOOT: And I think just the overall thinking is that the ICT has made a determination, FERC's been able to review it if there was a protest. It's JNR, and you may not -- you may decide that you don't want the ICT to go forward, but we're not proposing to have people undo everything that the ICT did. It'd be like if --- let me give you an example -- if FERC adopted accelerated

depreciation for transmission in a period of resource shortages, and you got approval in that period for upgrades. But then FERC later said, "Look, we don't want to do this anymore. It's not necessary." You wouldn't necessarily go back and undo all that depreciation; you would just change policy on a going forward basis.

MR. JAGTIANI: Okay. Then my concern then goes back to the ICT agreement. With the mutual termination clause, which FERC doesn't get to review, with respect to this.

MR. MOOT: Well, I think if the concern is does Entergy have a consensus --?

MR. JAGTIANI: It's motivation. It leads to -- you know, let's just talk about motivation.

MR. MOOT: I think I understand the question. I think there's two pieces. On the Entergy piece we've got, people can correct me if I'm wrong, 17,000 megawatts of generation that at any time could seek to be qualified as NRIS or NITS. And so we have ongoing exposure. And so there isn't an incentive to throw this thing out the window just for two year determinations on the ICT side.

Certainly, SPP may decide, "We just don't want to do this anymore." But I -- that certainly is up to SPP to make that decision.

MR. SCHNITZER: And I guess in support of that,

the two-year period was not the company's idea. I mean the company proposed ---

(Laughter)

MR. SCHNITZER: The company did not propose a two year experiment for the purposes of achieving this reclassification. The company proposed an ongoing and would hope and expect that that's what this would turn into.

MR. JAGTIANI: Okay, thank you.

MS. DESPEAUX: Any other questions? We can take an early break, and you guys, if there's other questions on Attachment U -- I mean, we're perfectly happy to finish today, if we get everybody's questions answered. And so why don't we take a 15 minute break and come back and people can continue to ask -- answer or ask questions.

(Recess)

MS. DESPEAUX: Okay, if everybody can take their seats, we can get started again. Wait. Are you feeling a little left out over there?

SPEAKER: Was it something I said?

MS. DESPEAUX: Okay. I think we are on Attachment T, the pricing protocol. But if there are no more questions -- certainly, if there's questions on the interconnection protocol, and I know we had some earlier, but if there are other questions on that, that would be great. We've got about, I think, around two hours left, and

it could be that we can finish up with questions today.

And I won't tell anybody that we've concluded the conference today. But --

SPEAKER: It wouldn't offend us.

MS. DESPEAUX: It wouldn't offend us, yes. So anyway, if there's some additional questions?

MS. NEUSCHLER: Robin Neuschler, representing Calpine. My question is directed to Mr. Rew, with respect to those instances in which past facility upgrade work has already, you know, been constructed and is in place and there have been resolutions already in place approved by FERC with respect to cost responsibility. For that group of Entergy designations of facility type, how will you go about revealing that and determining whether or not you agree or disagree with the original facility designations? And, at that point, what then next occurs in terms of your role?

MR. REW: Okay, with respect to each individual generation interconnection project, we'll have available to us the original study, the original context in which those upgrades were required. We'll discuss that with both Entergy and the customer in understanding the need and the reason for it. Then we'll evaluate that against the 2006 model that we're developing to determine whether or not it should be put in the base plan or the supplemental upgrades.

MS. NEUSCHLER: And so you're envisioning this

kind of process being one where it's three part, it's you, it's Entergy, and it's the customer or the funder of that facility in the first place, who's discussing all of this?

MR. REW: Yes, we'll get input from the generation interconnection customer, and that's spelled out in the protocol as well.

MS. NEUSCHLER: I see references in the filing to terms that are just hard to get your hands around, "materiality" and other references like that. And has there been an effort to try to further make those terms precise, or are they meant to be loose, in your view, in terms of making that assessment?

MR. REW: Well, I think at this point, I'd say they're meant to be loose so that we're not -- we would not prevent somebody from submitting something that is material. But if we make it too specific, there might be something that we would miss that would be relevant.

MS. NEUSCHLER: So you intend for your role in this regard to be pretty hands-on in terms of the facility designations?

MR. REW: Yes.

MS. NEUSCHLER: Okay, thank you.

MS. DESPEAUX: Yeah, okay. Yeah, I guess I could. I apologize to those people on -- oops, I apologize to those people on the phone. If any of them have

questions, we'll try and be quiet at this end for a few minutes and let them ask those. Oh, wait I have to turn up the volume. Yes, anybody there?

MR. GREEN: Yeah. Presley Green (phonetic) from the city of New Orleans is here, but I don't have any questions now.

MS. DESPEAUX: Okay, thanks, Presley.

MR. GREEN: All right.

MR. WYCAR: This is Bob Wycar (phonetic) from SECA. I have no questions at this time.

MS. DESPEAUX: Okay. Does anybody have questions on the phone? Okay. Any other questions from the audience?

(Laughter)

MS. DESPEAUX: It's Paul.

MR. SAVAGE: I say that we burned an effigy by the evening here, if I don't burn out. I want to go back to the dialog we had before on the -- if you can put the -- Mike, your proposal back on the screen there. Please? Okay, thank you.

First question. So the rights I have under this is -- let's make -- just to clarify it, because I'm getting tired -- in addition to getting paid as customers come on for infirmed transmission, that owning, let's say -- the ownership of let's say, a flow gate as B owned let's say, the 20 megawatts initially. That is the basis of hedging

the WPP also, right?

MR. SCHNITZER: Yes, it is.

MR. SAVAGE: Okay. So, now if --

MR. SCHNITZER: I'm sorry, let me just elaborate on that.

MR. SAVAGE: Well, perhaps he's being -- the global rights this guy has --

MR. SCHNITZER: Well, let me just complete that answer, because I don't want to -- the 20 megawatts is the basis for your -- for the starting point for your congestion hedge. Of course, because this was used to grant NITS status in this example, you wouldn't need a congestion hedge from any generation from this -- from any output from generator B up to its NITS resource level.

But if -- let's say that that was a 500 megawatt unit, then you would have attained 200 megawatts in NITS status. If you bid some of the extra megawatts into the WPP, your extra 10 megawatts of unused flow gate capacity would be available as a congestion hedge in the WPP, because you wouldn't need it for the NITS portion here.

MR. SAVAGE: You don't need it for the NITS portion because they're not subject to re-dispatch.

MR. SCHNITZER: Right.

MR. SAVAGE: So we can skip that. Now, let's go -- if you are, let's say, an NRIS resource. You know that

it seems to me, this NRIS resource, in addition to getting the right to be, under this example, paid by customer C, and perhaps -- we'll get to what happens when D cruises along. But in addition to getting, let's say, your payment over time back that you can, you also are gaining a potential hedge over, let's say, a weekly procurement process to the extent this, let's say it's flow gate one, gets impacted. Is that --?

MR. SCHNITZER: That is correct. And again, just to try and keep it tight here, under this particular hypothetical, if it was an NRIS as opposed to a NITS status that was achieved, you would have -- but C came along and did the subsequent transaction, you would have 16 megawatts of flow gate capacity to count as a congestion hedge after you've been paid by C. You'd have 20 before C came along --

MR. SAVAGE: Okay.

MR. SCHINTZER: -- and once C came along and "bought" the four megawatts, you'd have 16 megawatts left as a hedge.

MR. SAVAGE: But C's ability to -- let's assume the -- that the -- this -- before B came was -- it was -- there wasn't any use, there wasn't any hedge room. Now, B comes in. He makes 20, and he wants to use 20. You know, so what I'm gathering is that if B was actually -- under

this proposal, if B was actually using this -- using the flow gate for transmission, for whatever transmission he wanted to use it, that the C would not have any -- no firm rights. Is that fair?

MR. SCHNITZER: Yes, if B had funded an upgrade pursuant to a service request, and the granting of that service request used all the capacity in the funded upgrade, then when C came along looking for point-to-point service, the SIS would say, "C, I can't give you any service. I got to upgrade flow gate Y again." And then C would have the option to go through the facility study process to see what incremental upgrade might be available to get the point-to-point service.

MR. SAVAGE: Wouldn't it -- one thought came to my mind, maybe if, you know, and if you look at this, there is a way perhaps, C -- if you made -- if B could, let's say, market or sell it, its rights over this flow gate, you know, then --

MR. SCHNITZER: Yes, that provision exists, but it exists in what B can do, and for a hypothetical, let's just say it is what it is, that they used, they funded the flow gate to get NITS status.

MR. SAVAGE: No, let's say -- yeah.

MR. SCHINTZER: Just to -- okay? And they used all of the flow gate instead of what this example shows,

they used all 20 megawatts instead of just the 10 in the hypothetical. And now, C comes along and comes and asks the ICT if they can get point-to-point service. And the ICT says, "No, and this is the flow gate that's the problem." There's nothing to stop C from going to B and saying, "Can I talk you into relinquishing, you know, a portion of your NITS, you know, of your NITS status, that is de-designating a portion of your NITS status, and then I'll apply for service and I'll pay you pursuant to the financial compensation for that?" That can happen.

But the way it happens is that B can't sell the right without relinquishing the service, or a portion of the service, because B doesn't have anything to sell --

MR. SAVAGE: Right --

MR. SCHINTZER: Unless they relinquish the NITS service. But, as I said, I think -- to the previous page, Mark -- when we said, that second dash there can also arise if the original service is relinquished in whole or in part, and that's what that means. So that's how your hypothetical could come about.

MR. SAVAGE: But let's expand it to a -- and I assume the same would apply for firm point-to-point, because you're actually selling transmission. But now let's go back to, let's say, an NRIS holder, which in essence --

MR. SCHINTZER: And the NRIS holder is B?

MR. SAVAGE: Is B in our example.

MR. SCHINTZER: Example? Okay.

MR. SAVAGE: So the NRIS holder at this -- in this point, since he doesn't have transmission on the proposal, C can come in and basically pay him a pro rata share. Okay? So now we have C and B and let's say, you know -- and so now we have D. D comes in and -- well, if they're both NRIS, what -- since that would be their -- D would then, would get a pro rata share of both B and C?

MR. SCHNITZER: Well, just so I'm clear, so we have -- the flow gate capacity is now held by two parties?

MR. SAVAGE: Right.

MR. SCHNITZER: B and C. But, in aggregate, they still don't use it all up?

MR. SAVAGE: Right.

MR. SCHNITZER: So, when the third customer comes in, D, there's still some left?

MR. SAVAGE: Right.

MR. SCHNITZER: And D can be granted service using some or all of what's left? I think the answer to your question is D would be granted the service. They would pay financial compensation for the amount of the flow gate they used up. And the allocation of that compensation between B and C would depend upon how much surplus B and C were holding.

In other words, if B and C were holding rights, but C was using all of theirs for the service that they had been granted, then C wouldn't get any of the money because all of the surplus would have been held by B.

But if B and C each held more than they needed in some circumstance, or more than what they were using, then there would be a pro rata allocation of the financial payment.

MR. SAVAGE: Because it would seem to me, and I just -- you know, well, it's off the top of my head, but as you mentioned that there is -- that there is, I'll say, a marked market for NITS customers, and firm point-to-point customers, you know, to sell or transact their service.

Now, their service has not only, you know, I assume the congestion hedge they extended, it is utilized, as well as, you know, a right to eventually, you know, get paid down if you're not using it, as well as, you know, the third component is you actually have a transmission right.

MR. SCHNITZER: Right.

MR. SAVAGE: Now, if you go to NRIS, they have the first two, they don't have -- they may not have the third one.

MR. SCHNITZER: That's right, they haven't got transmission service --

MR. SAVAGE: So -- but --

MR. SCHNITZER: But they have -- just so we're clear, they, like the first two, have the right to relinquish their status in whole or in part, to free up more rights to sell.

MR. SAVAGE: Do they have the right rather than having it -- rather than have -- let's say, if being done on a centralized basis through Entergy transmission, would they have the right to, let's say, post on OASIS, or post on some bulletin board of some sort, "Oh, by the way, I'm B. I have 20 megawatt rights over flow gate one. That flow gate gives you a congestion hedge and eventually a right to get compensation."

Could you create what in essence is a market or so it does it, so you can have B and possibly C trading those rights, and to the extent they have them, that would be consistent with their rights and similar to the rights of a NITS supplier?

MR. SCHNITZER: I don't know that there's -- that I'm aware of any prohibition of somebody who's got some flow gates rights that they either aren't using or would be happy not to use to making that fact known in whatever fashion made sense.

But I think that to the extent that in -- to the extent that these rights are associated with the transmission service or interconnection service, I think

that any trading that goes on has to go through the ICT, because there's a -- you know, you have to make sure you get the transmission service piece of it right in terms of whether there's been a relinquishment of service or things like that or a grant of service.

MR. SAVAGE: Well, I agree it should -- the ICT should, you know, be involved, run it -- I don't -- I'm not sure of the proper word; I don't want to hit any political landmines in my phraseology. But it would seem -- but -- I'm just trying to think here. To the extent we have NRIS, which is -- which -- and upgrades are given under that, but if the NRIS does -- is not at this point, associated with the actual transmission service to my understanding, that it would seem that -- it would seem to me that it's a potential service. But it does have value, and it does have value that over time its congestion hedges under the proposal, as I understand it, will decrease, but as that decreases it will get compensation for each share of the upgrade.

So it would seem to me that, you know, one facet of, let's say, you know, B and C getting it, because -- maybe to have SPP or somebody else provide that, because I could -- the reason I'm -- I just want you to think of that, is I could definitely see a situation where, you know, C may want to say, "I want out. I'm not going to use flow gate one. I'm going to use flow gate five." And B says, "I still

don't want to give up anything." Now, obviously I can't -- I don't have the transmission service, so I can't stop someone who's actually going to use it.

MR. SCHNITZER: Right.

MR. SAVAGE: But it would seem to me that as, you know, in terms of just giving people greater flexibility without -- while being consistent with your proposal.

MR. SCHNITZER: Yeah, I mean -- Bruce can speak for himself, but I don't see any harm or reason not to have a place on the website where people who have either excess rights or rights that they might be willing to relinquish can make that known, so that when people apply for service and they're told, "No, you can't get service because of this," that they can go look at that place and say, "Short of building new facilities, is there anybody on that part of the website who said they're willing to part with that right?" I mean I don't -- do you see a problem?

MR. REW: No, we should be able to do that. We should be able to come up with some way to provide postings of essentially a secondary transmission rights market.

MR. SCHNITZER: Right.

MR. REW: So, yeah, we should be able to do that.

MR. SAVAGE: Now, just a few more points and I'll let someone else ask more questions. I'm assuming that if, let's say, a merchant is B and C is Entergy. Entergy still

has -- this applies to Entergy -- Entergy, let's say, Network Service also. If they need to upgrade or go over a -- expand their usage of, let's say, flow gate A, that Smith Marketing Company expanded, you would have to do the same thing C is doing. Is that correct?

MR. REW: Absolutely. This is quite comparably to every transmission customer, including Entergy operating companies, as a transmission customer dealer.

MR. SAVAGE: Okay. And the third question was just to confirm, if I wanted to actually do -- I'm assuming if I did a NITS study and I had -- no, an NRIS study, and that indicates I had 20 megawatts over flow gate one. And then, as I turn around and as long as no one has -- before C comes in, and I put it in a long firm point-to-point transaction, that there shouldn't be any need for study over that flow gate? Am I right on that?

MR. REW: Well, they --

MR. SAVAGE: Or the result should be similar.

MR. REW: There will be a study done, and the study would show that the study can be granted and requires financial compensation. And in that case, it's the financial -- it's to yourself.

MR. SAVAGE: Right.

MR. REW: So you will basically end up with a discounted point-to-point rate, because the portion that was

financial compensation to yourself would be a discount to the point-to-point under the higher-of --

MR. SAVAGE: Could you explain the discount? I just want to make sure I understand this.

MR. REW: Yeah, so what you're -- what I interpreted your question, Paul, to be is that in effect B and C are the same person.

MR. SAVAGE: Well, let's take --

MR. REW: The same customer.

MR. SAVAGE: No, let's take -- let's put a time frame. Year June 2005, I go in and I do a -- I'm a generator, and I do an -- a NRIS study over flow gate one. And that says you've got to pay $400,000, so -- or whatever the amount is, $2 million.

MR. REW: Yeah, let's just say you paid --- you pay the $2 million and then six months or a year later you say, "On top of that, I want a point-to-point request."

MR. SAVAGE: Over that same flow gate.

MR. REW: Over that -- which is the same one that customer C makes in the last example, except it's still you.

MR. SAVAGE: Right.

MR. REW: And we would say fine, and what would happen is that because you had already upgraded that flow gate that mattered for that point-to-point request, the request should be granted.

MR. SAVAGE: Right.

MR. REW: But the ICT would also come back and say, "You're using four megawatts of an upgrade that was funded as a supplemental upgrade funded by you. And so we'd still go on to see how much you would pay just -- we would substitute customer B for customer C. The net result is you would end up paying yourself $400,000, because this relied on an upgrade that you had funded and so that part's a wash.

And so if the -- if -- basically if the higher-of tests, let's say the higher-of test for that point-to-point service said it was the point-to-point rate. You would pay Entergy the point-to-point rate and Entergy would pay you the $400,000 back. And so in that sense you would end up with a discounted point-to-point rate net.

MR. SAVAGE: Okay. When you're doing the higher-of test, and this is something I'm not sure of, what is -- what's the time frame where you determine higher-of? Is that for the life of the transaction?

MR. REW: Term of the requested service.

MR. SAVAGE: Okay.

MR. REW: And that's a standard pro forma or pricing process that we use in SPP as well.

MR. SAVAGE: Because the reason why I was asking how to do is because, you know, I understand in general because Entergy has a yearly -- they would formulate

transmission rate. So that's why I was just curious of the term. Okay.

SPEAKER: Yeah, and I think FERC, I think -- others can help me here, but I believe that the current practice on the Entergy system is when you're looking at a multi-year, long-term point-to-point request and you're applying the higher-of test, that for purposes of that calculation, you use the current rate at the time the application is made. Even if it is for a 10 year service request, you assume that current rate holds for the 10 years for purposes of the higher-of test. That's mechanically how it's done.

MR. SAVAGE: No -- no, that's very helpful. Thank you.

MS. DESPEAUX: Anybody else?

MR. HAGAN: Dan Hagan for Occidental. I just want to revisit a point that I had discussed previously with the transmission credits. And in 5.2, when I had asked how the credits received would be attributed, it states first optionals, then requireds, and then to the direct interconnection. And I had asked whether that's how it's currently done. And you indicated that it was in fact how Entergy currently allocates the credits.

And my question is directed towards the allocation to direct interconnection facilities, and under

what situation would in fact credits be allocated to direct, because this is -- currently they do not -- are not eligible for credit.

MS. DESPEAUX: If your question is do we have some facilities that we had originally classified as direct interconnection that FERC later determined Entergy should get credits for, I believe we do have some of those. I don't know whether the credits have -- whether the credits have all been given back or not. But it was back in the line of cases that I think of as the Duke Hinds and Wrightsville cases.

MR. HAGAN: Were they reclassified though? I mean, are they still --?

MS. DESPEAUX: They were -- what was determined was that they should be -- receive credits for those facilities.

MR. HAGAN: Okay.

SPEAKER: There will be time to come back and ask a further clarifying question.

MS. NEUSCHLER: Robin Neuschler for Calpine. If an upgrade is needed to take an NRIS type of resource and obtain NITS resource status, how is that upgrade classified? Is it an automatic supplemental upgrade classification, or are there situations in which there is a base plan upgrade assessment made?

MR. SCHNITZER: I'll take a stab at that, and then Bruce, I'll ask you to see if I got any part of it wrong. As an initial matter, because that's part of a transmission service request, there will be a system impact study and the like to determine what upgrades are required to receive NITS designation for that resource. And assuming that there are some, as your question did, my understanding is that those would be supplemental.

But the ICT would make one further check. They'll look at the upgrades that were identified. And then they would take a look and say, "Do these upgrades in any way, partially or completely, eliminate or defer or do something to some upgrades that are in the base plan?" And if the answer to that is yes, then there will be some cost allocation, you know, some discounting, if you will, of those investments to the extent that they replace base plan investments.

But if -- and that's the ICT's determination. But if the ICT doesn't determine that there is any interplay between those required upgrades and the base plan within this three year commitment window, then they would all be classified as supplemental. And Bruce; is that --?

MR. REW: Yes, that's correct.

MS. NEUSCHLER: And is the cost allocation done by the ICT, or is that -- is the -- is it initially

calculated by Entergy?

MR. SCHNITZER: I mean, it's the ICT who -- I mean, under the tariff, they are by definition, supplemental. But the ICT does this other test. You know? And that's the -- my understanding is that --- Help me, Bruce. That is basically saying --

MR. REW: It's the same process, yes.

MS. NEUSCHLER: So if the ICT determines that that particular upgrade actually does have --

MR. REW: Some base plan benefits.

MS. NEUSCHLER: -- some base plan ramifications and benefits, --

MR. REW: Yes.

MS. NEUSCHLER: -- it will be the ICT who will quantify those and arrive at a cost allocation recommendation?

MR. REW: Yes.

MS. NEUSCHLER: Thank you.

MR. SCHNITZER: That's correct, and to my knowledge, the only limitation on the ICT in that regard is the tariff specifies that they have to be base plan investments that would be initiated within three years. But for that, it's all the ICT.

MR. REW: Yes.

MS. NEUSCHLER: Thanks.

MR. SAVAGE: Just one more small question, I forgot to ask you. The physical flow rights, I'm assuming they are bi-directional.

MR. SCHNITZER: I'm sorry, say that again?

MR. SAVAGE: Physical -- the physical flow rights in my example -- my -- in the one you had where I'm B and I have 20 megawatts. I'm assuming that because it's physical it's bi-directional, both going in and going -- I mean, coming from?

MR. SCHNITZER: I think that would generally be true. But I think it would -- in all of these studies the nature of the constraint would be likely in one direction, not both directions. And so that would be how you'd be quantifying what you got, I would think.

MR. SAVAGE: But wouldn't that go to the value as opposed to the right?

MR. SCHNITZER: Yeah.

MR. SAVAGE: So you would have the right -- your rights would be bi-directional. But one may have financial value in terms of congestion and the other ones may not. Is that fair?

MR. SCHNITZER: It may not be binding in one direction --

MR. SAVAGE: Right, yeah, -- no, I just want -- I want to separate out from, let's say, you know, the

financial rights which are generally speaking -- could be optional. We're -- no, initially, we're not bi-directional. That's all.

MR. SCHNITZER: Yeah, and I guess I would -- I think that's right. I just -- I'll defer to some of the other folks here when some of these are outage, or first contingency kind of things, they might not be symmetrically bi-directional, you know, because the limiting element in the outage case maybe a little bit different depending on which way the power is flowing. But I think inherently --

MR. SAVAGE: Why wouldn't they be the same?

MR. SCHNITZER: I think that the -- I think because the distribution factors in the underlying network --

MR. REW: It's the change in flow once the contingency occurs. It could cause the facility to go in a bi-directional --

MR. SAVAGE: But aren't you talking about -- if the -- almost like de-rating the transfer capability in one direction. What I am saying is before it -- let's say -- let's take it step by step, so can I understand it. In the initial step, I am assuming that prior to any -- prior to, let's say, a contingency happening, that if I upgrade flow gate one to 20, I have rights --- flow gates going, let's say, up and down.

Now, one value may be only be up and not down. Then the issue comes up, you know, to what extent and what is the appropriate circumstances where my value could be degraded? And we can get into that now. But I just want to make -- because it seems to me, you are in the physical world.

SPEAKER: Not me.

MR. SAVAGE: Could --

MR. SCHNITZER: Yeah -- I mean, my -- and maybe it's -- maybe we don't need to get to this level of detail, but you know, what's typically happening here is, or what could often be happening is the outage circumstance you're looking at that causes an element to be limiting is a, say, a 500 kV line. And when the flows are going west to east, the limiting element in -- on the -- the pair that goes with the outage of the 500 is this one over here, and that's the one you've upgraded.

And yes, that's -- you know, that's -- that -- you upgraded so many megawatts of capacity and whatever that element is, and that's bi-directional. Now if you look at the -- if you turn the power flows around, and you outage the same 500 megawatt facility, the limiting element may or may not be the one that you just upgraded. That's all I was trying to say. So you still have a bi-directional right in that particular element, but if the power flow is reversed,

you might not be the pair anymore to the outage of the 500 kV lines.

MR. SAVAGE: Well, the question -- I'll -- one question I asked was because there could be other issues where all of a sudden congestion does become a counter-flow. And so it would -- you know, I'm just trying to get a sense that you -- there could be times when having the rights going on a counter-flow direction would be valuable. And it may not -- it may not be -- I would have to think of how the -- I understand the limitations going across it, but I am trying to figure out what limitations would -- you know, would trigger a decrease in, let's say, my -- let's say, weekly congestion rights as we've been discussing.

MR. REW: It is bi-directional. It just may or may not be that the pair for the outage of the 500 in both directions but that's -- but on that element, it will be bi-directional.

MR. SAVAGE: Okay.

MS. DESPEAUX: Are there questions from other individuals on any of the provisions? If there is -- if there are no more questions, we really appreciate your attendance. We will be posting on -- I think our OASIS, as well as supplying to FERC, the presentations that have been made today. We will also be providing responses to the additional questions that we've received from Calpine and

SECA, Occidental. And there may be -- pardon? LUS, I am sorry, yes. We will be supplying responses to those and filing those.

MS. NEUSCHLER: Can you offer some expectation of how long for that?

MS. DESPEAUX: Robin, we are going to try and do it by the end of next week, just to try and get the responses. But I don't want to -- you know, I can't say we'll get all of them done, but what our goal is to try and get them out by next -- the end of next week. Sanjeev, do you have any additional comments or anything? Okay.

MR. JAGTIANI: I think that Paul had a question.

MS. DESPEAUX: No, Paul.

(Laughter)

MS. DESPEAUX: We will take this off line, Paul. A beer. No, this is really it. With that, thanks, everybody. We really appreciate it.

SPEAKER: Thank you.

(Whereupon, at 3:30 p.m., the CONFERENCE was adjourned.)